

Supreme Court Summaries

Opinion filed May 5, 2016

Matthews v. Chicago Transit Authority, 2016 IL 117638

Appellate citation: 2014 IL App (1st) 123348

JUSTICE FREEMAN delivered the judgment of the court, with opinion.

Chief Justice Garman and Justices Thomas, Kilbride, and Burke concurred in the judgment and opinion.

Justice Theis specially concurred, with opinion, joined by Justice Karmeier.

Justice Karmeier specially concurred, with opinion.

This consolidated cause is before the Illinois Supreme Court at the pleading stage, on appeal from the granting of a motion to dismiss. No trial has occurred.

The Chicago Transit Authority is a municipal corporation whose retirement plan is established in the Pension Code. Its employee unions had a collective bargaining agreement which began in 2004 and was to expire at the end of 2006. When it did expire, no new agreement was immediately reached, and the parties bargained to an impasse. The matter then went to arbitration. The modifications in retiree health care which are at issue here subsequently became the subject of an interest arbitration award which was accepted by the parties in mid-2007, with an effective date of January 1, 2007, and an expiration date of December 31, 2011. It was subsequently codified in the Pension Code, and the Retiree Health Care Trust was created so as to separate the funding of retiree health care from the funding of the rest of the retirement system. Pursuant to all of this, retirees began to pay a portion of the cost of their health care, and current employees began being charged a payroll tax.

The plaintiffs brought suit against the CTA and other entities, challenging the implementation of the 2007 arbitration award and claiming that the retiree health care benefits which were set forth in the 2004 collective bargaining agreement, and which were more favorable to them, were enforceable. The multi-count complaint in the instant case was filed as a putative class action in the circuit court of Cook County on April 20, 2011. The plaintiffs claimed that health care retirement benefits were shielded from change by the pension protection clause of the 1970 Illinois Constitution, and they sought a declaratory judgment, as well as relief under the doctrines of breach of contract and promissory estoppel.

One group of plaintiffs retired under the 2004 collective bargaining agreement, before the 2007 effective date of the arbitration award. A second group consists of current employees and also those who retired after that date. The circuit court, the appellate court, and the supreme court all viewed the second group as lacking standing because they were represented by unions in the negotiations which led up to the 2007 arbitration award challenged here. The circuit court, after concluding that members of the first group did in fact have standing, nevertheless then went on to dismiss the complaint in its entirety for failure to state a claim on

which relief could be granted. In this decision, the Illinois Supreme Court disagreed with that result, holding that some of the counts could stand.

The Illinois Constitution of 1970 provides that “[m]embership in any pension or retirement system of the State, any unit of local government ***, or any agency or instrumentality thereof, shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired.” In the 2014 case of *Kanerva v. Weems*, the Illinois Supreme Court held that this clause protects all of the benefits which flow from the contractual relationship arising from membership in a public retirement system, including retiree health care benefits. The next year, the supreme court held in *In re Pension Reform Litigation (Heaton)* that the State’s police power could not be used to justify legislation that effected a unilateral reduction of State retirement annuity benefits.

When this cause reached the appellate court, that reviewing body held that, as to the Retirement Plan for CTA Employees and its Board of Trustees, as well as the Retiree Health Care Trust and its Board of Trustees, members of the first group of plaintiffs had stated causes of action for breach of contract and declaratory judgment which should not have been dismissed. The appellate court reversed the circuit court on these points and, in this decision, the supreme court affirmed this result. The supreme court also affirmed that portion of the appellate court’s judgment which reversed the circuit court’s dismissal of the pension-protection-clause claim raised by the first group of plaintiffs.

The supreme court held that employees who retired at age 65 under the 2004 agreement had stated causes of action against the Plan and Trust defendants for breach of contract, violation of the pension protection clause, and declaratory judgment. As to these employees, a contractual right to retiree health care benefits had fully accrued. It was an enforceable, vested right which survived the expiration of the 2004 agreement and the entering of the 2007 arbitration award. Insofar as the appellate court had agreed with all this, it was affirmed.

The first group of plaintiffs had attempted to state a cause of action for promissory estoppel against the CTA, but the supreme court held that this common law doctrine is not applicable here, and that, although the appellate court had held otherwise, the circuit court acted properly in dismissing this claim.

The cause was remanded to the appellate court, with directions to remand to the circuit court for further proceedings.