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## **PENSIONS - ILLINOIS**

### **Matthews v. Chicago Transit Authority**

**Supreme Court of Illinois - May 5, 2016 - N.E.3d - 2016 IL 117638 - 2016 WL 2586346**

Current and retired former employees brought putative class action against Chicago Transit Authority and its retirement plan following changes to health care benefits, asserting breach of contract, promissory estoppel, breach of fiduciary duty, and declaratory relief.

Authority filed motions to dismiss. The Circuit Court dismissed the action. Employees appealed, and the Appellate Court affirmed in part and reversed in part. Authority appealed, and employees cross-appealed.

The Supreme Court of Illinois held that:

- Current employees lacked standing to attack modification of health care benefits resulting from an arbitration award to which their exclusive bargaining agent was a party;
- Retirees had standing to pursue claims for enforcement of benefits granted under an earlier collective bargaining agreement;
- Retirees' right to fully-paid health care benefits became vested by their retiring while collective bargaining agreement was in effect; and
- Retirees could not adequately allege a claim for promissory estoppel.

Claims of current employees of Chicago Transit Authority attacked modification of health care benefits resulting from an arbitration award to which their exclusive bargaining agent was a party, and therefore, current employees lacked standing. Current employees did not allege that the union, as bargaining agent, breached its duty of fair representation.

Chicago Transit Authority retirees, even those formerly represented by unions, were not represented by the unions in collective bargaining that resulted in an increase in their health care obligations, and therefore, retirees had standing to pursue claims for enforcement of benefits granted under an earlier collective bargaining agreement. There was nothing in complaint or attachments to indicate that retirees agreed to union representation in the negotiation and arbitration of the agreement at issue.

Retirees' right to fully-paid health care benefits became vested under collective bargaining agreement (CBA) by their retiring from Chicago Transit Authority while CBA was in effect, despite provision of CBA stating that health care benefits could be changed by agreement upon its expiration. CBA stated that benefit terminated when retirees attained age 65, which extended the right to receive the health care benefits beyond the term of the CBA.

Retirees could not adequately allege a claim for promissory estoppel against Chicago Transit Authority on basis of changes in health care benefits in collective bargaining agreement and Authority's alleged promises that retirees would receive fully-paid health care benefits. Authority was a municipal corporation and could not be held liable under a contract implied in fact, Authority could only be bound by official action taken by Chicago Transit Board, and Authority was precluded

from making outside promises of benefits that exceeded those set forth in collective bargaining agreements.

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