Illinois Appellate Court Limits Employer's Discretion To Award Or Deny Bonuses Under Written Bonus Plan

David Moore
03.31.2015

McCleary v. Wells Fargo Securities, LLC, an Illinois Appellate Court held that a former employee stated a claim for an unpaid bonus under a written bonus plan that expressly stated that bonuses were made at the sole discretion of the plan administrator, that bonuses were not guaranteed, and that bonuses could be denied or adjusted for any reason. The plan stated that former employees who had worked at least three months during the bonus period, met their performance objectives, and were discharged for non-performance reasons, would generally be eligible for pro-rated bonuses. While the plan stated it could be amended or terminated at any time, it also stated that no changes would adversely affect bonuses earned prior to the effective date of the change. Though the plaintiff had worked for more than three months of the plan year and met his performance goals before his discharge, the company exercised its discretion not to pay bonuses to any former employees who had not worked at least six months during the plan year. The Appellate Court held that, at least at the pleading stage, the former employee had alleged sufficient facts to state claims under the Illinois Wage Payment and Collection Act and for unjust enrichment, because he arguably had a reasonable expectation to a bonus and the company had abused its contractual discretion by inserting the six-month eligibility requirement during the plan year. Employers in Illinois who wish to retain complete discretion about whether and to whom to award bonus should review their written bonus plans in light of *McCleary*.

Attorneys

David A. Moore

Practice Areas

Counseling and Transactional

Employment Contract Disputes

Non-Compete, Executive Employment and Other Agreements

Public Sector