

IN THE COURT OF APPEALS OF IOWA

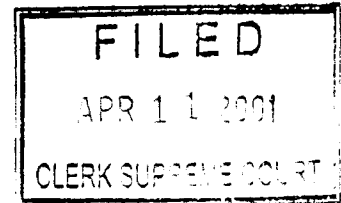
No. 1-071 / 99-2042

Filed April 11, 2001

CONSTANCE MATZKE,
Plaintiff-Appellee,

vs.

MARY GREELEY MEDICAL CENTER,
Defendant-Appellant.



Appeal from the Iowa District Court for Story County, Steven P. Van Marel, District Associate Judge.

Mary Greeley Medical Center seeks discretionary review of an associate court's affirmance of a small claims decision. **REVERSED.**

Frank Harty and Kathryn Atkinson Overberg of Nyemaster, Goode, Voigts, West, Hansell & O'Brien, P.C., Des Moines, for appellant.

Jeff Mathias, Ames for appellee.

Heard by Streit, P.J., and Hecht and Vaitheswaran, JJ.

VAITHESWARAN, J.

The sole issue in this discretionary appeal from a small claims action is whether an employee who accrues a bonus but quits her employment prior to the payout is still entitled to the bonus. We conclude she is not and, accordingly, reverse.

I. Background Facts and Proceedings

The facts are essentially undisputed. Constance Matzke worked as a registered nurse at the Mary Greeley Medical Center in Ames. Mary Greeley had a "gain sharing bonus program" that entitled employees to bonuses if the hospital met certain performance goals, known as "challenges." For the 1997-98 fiscal year, the bonus was to be distributed by October 31, 1998. Mary Greeley's written policy specified that employees involved in formal disciplinary action would not be eligible for the payout and "[e]mployees who have terminated prior to the payout will not be eligible for an award."

Matzke worked for Mary Greeley through the entire 1997-98 fiscal year. She voluntarily quit on August 16, 1998. Mary Greeley paid the bonuses on October 6, 1998.

When Matzke did not receive a bonus, she sued in small claims court, asserting the \$660.01 she earned under the gainsharing program were wages under our wage payment law and remained unpaid, in contravention of that law. See Iowa Code chapter 91A. A magistrate agreed with Matzke. On appeal, the district court affirmed the magistrate's ruling. Mary Greeley sought discretionary review. The Iowa Supreme Court granted the request and transferred the case to our court for disposition.

II. Scope of Review

The scope of review of a small claims action depends on the nature of the case. *Bergantzel v. Mlyanrik*, 619 N.W.2d 309, 310 (Iowa 2000). As this case was tried at law, our review is for errors of law. *Kelley v. Story Co. Sheriff*, 611 N.W.2d 475, 477 (Iowa 2000).

III. Entitlement to Bonus Payment

Mary Greeley does not dispute Matzke's assertion that gainsharing bonuses are "wages" within the meaning of our wage payment law. See *Phipps v. IASD Health Services Corp.*, 558 N.W.2d 198, 201 (Iowa 1997) (holding gainshare payment is a wage). Instead, the medical center contends our wage payment law permits an employer to impose conditions on receipt of this type of compensation. We agree.

Iowa Code section 91A.2(7) in pertinent part defines wages as:

c. Any payments to the employee or to a fund for the benefit of the employee, including but not limited to payments for medical, health, hospital, welfare, pension, or profit-sharing, which are due an employee under an agreement with the employer or under a policy of the employer.

There is no question the gainsharing bonuses at issue here were paid pursuant to a "policy of the employer." The only statutory question is whether the payments are "due" under that policy. See *Dallenbach v. MAPCO Gas Products, Inc.*, 459 N.W.2d 483, 488 (Iowa 1990). We conclude they are not. The policy expressly restricts payments to persons employed at the time of payout. Therefore, even though Matzke accrued the bonus, she was not entitled to payment because she quit before it was paid out. Cf. *Bodecker v. Local Union No. P-46*, 640 F.2d 182, 185 (8th Cir. 1981) (holding benefits not wages because

not yet "due" an employee); *Rakos v. Skytel Corp.* 954 F. Supp. 1234, 1240 (N.D. Ill. 1996) (holding plaintiff could not make claim under wage payment law because plaintiff was not due any wages); *Gravelly v. Pfizer, Inc.*, 427 N.W.2d 613, 617 (Mich. Ct. App. 1988) (holding employer did not violate wages and fringe benefit act where claimant failed to satisfy condition precedent to receipt of benefits under employer policy); *Carpenter v. City of Flint*, 321 N.W.2d 772, 775 (Mich. Ct. App. 1982) (stating nothing in employment contract required city to compensate widow for her deceased husband's unused sick and emergency leave).

Our analysis does not end here, however, as we must also decide whether the district court was correct in concluding the payout restriction contained in Mary Greeley's policy was irrational and, therefore, unenforceable.

The magistrate held Mary Greeley's restriction on payouts of gainsharing awards must satisfy a rational basis test. The magistrate found the payout restriction, although nondiscriminatory, was an illegitimate criterion because it did not serve the claimed purpose behind the gainsharing policy of promoting job retention. The court reasoned, "[w]ithout the imposition of a requirement that disqualifying criteria not be capricious or lacking a rationale [sic] basis, employers could easily circumvent the provisions of Chapter 91A and render it nugatory."

The district court agreed with the magistrate that Mary Greeley's restriction on payouts of gainsharing awards did not satisfy a rational basis test. The court further concluded Mary Greeley's restriction was unenforceable because it did not further the legislative intent behind Iowa Code chapter 91A of promoting "the prompt payment of wages owed employees."

Under the circumstances of this case, we are not convinced the restriction had to pass a rational basis test. Iowa Code section 91A.2(7) does not limit the discretion of employers in formulating compensation policies. The chapter only requires that if payments are due an employee, they are to be promptly paid. Iowa Code § 91A.3. Additionally, our highest court has upheld an employer restriction on gainsharing payouts without a showing that the restriction satisfies a rational basis test. *Phipps*, 558 N.W.2d at 202 (upholding disciplinary status as condition for disqualification). Accordingly, we conclude Mary Greeley's gainsharing policy should be enforced as written. *Cf. Lane v. Amoco Corp.*, 133 F.3d 676, 678 (8th Cir. 1998) (upholding employer policy which unambiguously required employees to be employed by company on allocation date).

Under the policy, Matzke was precluded from receiving a gainsharing bonus for the 1997-98 fiscal year because she quit before the bonus was paid out. Therefore, her wage payment claim should have been dismissed. As it was not, we reverse. In light of our ruling, we need not consider Matzke's request for appellate attorney fees.

REVERSED.