FLSA Overview

We want to make sure you are aware of major changes to the overtime eligibility rules under the Fair Labor Standards Act (FLSA) in 2016, announced May 18, 2016.

What is FLSA? The Federal law that sets minimum wage, overtime, recordkeeping, and youth employment standards, governed by the Department of Labor (DOL).

- The overtime part of the Act includes the "white collar exemption" tests that determine whether someone is considered "exempt" (salaried, and exempt from overtime), or "non-exempt" (hourly, and eligible for overtime). This is the piece of the FLSA that is changing.

Right Now:

Employees are classified as either exempt or non-exempt depending on their salary and the type of work they do. The FLSA establishes a minimum salary level in order to be exempt from overtime. The current salary minimum is $23,660 per year ($455 per week). Employees who earn more than $23,660 may be exempt from the FLSA overtime regulations if their primary job duties meet a "duties test" as defined in the current regulations. Positions that are exempt are not required to record and track hours worked. Non-exempt positions require an employee to record and track all hours worked, and any time worked in excess of 40 hours in a workweek will need to be paid as comp time at time and a half.

What is Changing?

The featured change in the final DOL rules is an increase in the salary minimum of weekly earnings for full-time salaried workers, based on Bureau of Labor Statistics data. This raises the salary threshold for exempt status from $23,660 per year ($455 per week) to $47,476 per year ($913 per week). The DOL is looking to update the salary minimum every three years. This will require UCO to conduct assessments based on any new salary minimum, and make necessary adjustments to ensure employees are properly classified exempt or non-exempt.

What This Means: Based on the new rule, as many as 400 currently exempt UCO employees will have their jobs' FLSA exemption status designations changed from Exempt (salaried, paid monthly) to Non-exempt (hourly, paid bi-weekly). As a result, impacted employees will be required to accurately record their daily working time and will have the right to overtime, compensated as *compensatory time* (comp time) at a rate of 1 ½ hours (time and a half) for each and every hour worked in excess of 40 in the designated workweek.

Transitioning from monthly, salaried, where pay is current (at the end of the month) **to** hourly, bi-weekly there will now be a two week pay lag (pay period ends on a Saturday, and bi-weekly pay is received on the Friday two weeks later). For instance, BW10 is for the working dates of 4/17/16 to 4/30/16 but will not pay until 5/13/16.

Regardless of when a transition from exempt, salaried to non-exempt, hourly occurs, all pay is received. It is the *timing* of the transition that can be disruptive. This is why we are attempting to give as much notice as possible to those employees that may be switching to non-exempt (hourly) as a result of the FLSA change, to give as much time as possible to plan. Impacted employees should take some time to examine their personal finances and plan to budget within the bi-weekly payroll cycles. Here is a copy of the current payroll calendar.

While the new rules require final implementation by December 1, 2016, we are currently evaluating implementing the transition in August to take advantage of the three (3) paycheck cycle in September. We are diligently working towards creative solutions to best serve employees. Our goal is to help minimize any negative impact the timing may cause, as impacted employees adjust to 26 paychecks per year instead of 12. Human Resources, Payroll Services, Budget, and representatives from Academic Affairs, and Student Affairs are working together on this transition project.

What's Next:

The transition team is working to identify "who" will be impacted under the new minimum salary threshold, and get this information to departments by the end of May.

Identify what positions (and the employees in these positions) that will no longer be "required" to participate in OTRS. This group of employees will need to determine whether they want to "opt out" of OTRS prior to July 1.

Employees who currently fall under the $47,476 can start planning with their supervisors today. We recommend tracking hours worked, and begin discussing how work may need to be accomplished differently upon being classified as non-exempt, hourly, and eligible for comp time.

As we learn more and decisions are made, we will keep you informed.