



2016 FLSA Changes *(Fair Labor Standards Act)* Information for Supervisors

A Brief Guide to the Fair Labor Standards Act

The Fair Labor Standards Act (FLSA) determines whether a position is eligible for overtime pay. An “exempt” position is not eligible for overtime pay. A “non-exempt” position is eligible and must receive overtime pay at time-and-one-half for any hours worked above 40 hours in one workweek.

Three Tests: Salary Basis, Duties and Salary Level

A position may be considered exempt under the FLSA if it meets three tests. 1.

1. Employee must be paid on a salary basis, not an hourly basis
2. Duties must meet criteria for executive, professional, administrative, computer or outside sales activities
3. Compensation rate (pro-rated full-time rate if part-time) must be at least \$47,476 annually (effective December 1, 2016)

If any one of the three tests is not met, the employee must be classified as non-exempt and eligible for overtime pay. Please note that exempt classification is an option, not a requirement under the law. A position that meets all three tests may still be classified as non-exempt.

FLSA Status at Anderson University

At AU FLSA status affects four areas of employment:

1. Eligibility for overtime pay for hours worked above 40 in one workweek
2. How time is reported
3. Biweekly or monthly pay frequency
4. Benefit deduction amounts per pay

Most other benefits are the same for non-exempt and exempt employees. See the following page for a detailed comparison of exempt and non-exempt employees.

What Counts Towards Overtime?

Only time worked is counted toward the 40 hours per week required for overtime pay for non-exempt employees. Exception time such as vacation, sick, PTO, holiday, military reserve duty, season days, educational time, funeral, extended sick, and time for jury duty does not count toward the 40 hours per week of time worked that is required for overtime pay.

Comparing Exempt and Non-Exempt FLSA Status

Item	Non – Exempt	Exempt
Pay Schedule	Biweekly (26 pay dates per year)	Monthly (12 pay dates per year)
Overtime Pay	Time and one half for all hours worked above 40 in a workweek	Not Eligible
Reporting Time	Report all hours worked	Not required to report
Report Exception Time	Report exception time to the nearest tenth of an hour	Report exception time
Earned Time Off Accrual Rates	No change in accrual rates	No change in accrual rates
If Employee works on Holiday	Employee is paid regular time plus the holiday time (equates to double time pay)	Paid for Holiday only no additional is provided
Benefit Payroll Deductions	Benefit Deductions are spread over a 24 pay cycle (<i>not withheld from months with 3 pays</i>)	Benefit Deductions are spread over a 12 pay cycle
If Employee Reduces Hours to Part Time Status	No change in FLSA status	May require reclassification from exempt to non-exempt if rate falls below the required minimum

What Employees Who Become Eligible for Overtime Can Expect

1. They will begin reporting all time worked in addition to exception time (overtime and time off) as of December 1st, 2016.
2. They will be paid biweekly rather than monthly. The last monthly pay date will be November 25, 2016 (for November 1st -30th) and the first biweekly pay date will be December 16, 2016 (for December 1st -December 10th).
3. They will earn overtime pay at time-and-one-half for all hours worked above 40 in one workweek starting December 1st.
4. They will not lose any unused earned time accrued, and will continue accruing at the same rate as outlined in the staff handbook for their appropriate category.

Considerations for Employees Who Become Eligible for Overtime

Impacted individuals may need to make personal financial adjustments to prepare for a biweekly pay schedule with 26 pay dates per year rather than a monthly pay schedule with 12 pay dates per year.

Direct Deposit Amounts or Fixed-Dollar Payroll Deductions

If employees currently make any fixed-dollar direct deposits or payroll deductions that come out of every paycheck (such as deposits to a savings account or contributions to a 403(b) Supplemental Retirement Account), they will need to reduce these amounts to keep the monthly total the same.

Change Billing Cycles

Impacted individuals may also wish to request that creditors change their billing cycles if all bills are currently due at the end of the month. The university will provide a letter confirming that a staff member's pay cycle has changed if verification is needed. Individuals should contact their human resources representative for assistance.

Considerations for Supervisors with New Non-Exempt Employees

Managing Overtime

Managers and supervisors may need to set new expectations and change department schedules or behaviors in order to manage overtime according to their budgets. Overtime may occasionally be necessary and should be pre-approved by the supervisor; however, whether pre-approved or not, it must always be paid. A clearly defined approval process can assist you and your employees in managing both time and budget resources.

Mobile Devices

Mobile devices expand the opportunity for work to be performed outside of normal work hours. Employees who were previously classified as exempt may be used to responding to emails or calls after hours, but these activities must be counted as paid work time (and potentially overtime) for non-exempt employees. You may need to set a new expectation with employees about answering emails or calls outside of normal hours, or you may need to assess whether to provide mobile devices at all.