

Fair Labor Standards Act (FLSA) New Overtime Rule

2016 FLSA Update - What is Changing?

On May 18, 2016 the U.S. Department of Labor issued a final overtime rule that **changes the exempt employee minimum salary to \$47,476** – more than double the old minimum of \$23,660 – **effective December 1, 2016**. This salary minimum will be updated every 3 years. There were no changes to the duties test.

What is FLSA?

The Fair Labor Standards Act (FLSA) determines whether a position is eligible for overtime pay. Positions are either exempt or non-exempt.

Exempt	Not eligible for overtime pay
Non-Exempt	Must receive overtime pay at time-and-a-half for hours worked over 40 per week

To determine if an employee is in an “exempt” status position, they must pass **all** three tests:

- 1) Be paid on a fixed salary basis, not hourly;
- 2) Duties must pass tests under executive, administrative or professional requirements; and
- 3) Salary must be above the minimum threshold of **\$47,476** (*effective December 1, 2016*)

If any of these tests are not met, the employee shall be considered non-exempt, and eligible for overtime. This new ruling helps to ensure that non-exempt employees will get **paid** for every hour worked.

How does this affect the University?

Currently, approximately 1,675 (or 69%) of exempt staff are in a job code that has a pay range minimum that is below the new threshold of \$47,476, and could therefore be impacted by this rule change. This will not affect any full time faculty positions.

In order to ensure compliance, we are:

- ◆ Reviewing job descriptions of all impacted positions.
- ◆ Considering the impact of the rule on annual leave accruals, morale, pay frequency, work-place flexibility, pay ranges, etc.
- ◆ Developing implementation plans with payroll and university systems.

Switching from Exempt to Non-Exempt

During this review process, and to ensure compliance with the new federal mandate, some positions may transition from exempt to non-exempt. These determinations will be made by early September and communicated directly to those affected by letter.

Becoming Eligible for Overtime

What will change?	What will not change?
All hours worked will be reported, including overtime and time off.	Current employees switching to non-exempt will not see any changes in their leave accruals, benefits, job status, job title or job family.
All hours worked beyond 40 hours a week will be paid overtime pay of time-and-a half.	
Change to bi-weekly pay schedule.	

Next Steps and Timeline

Information will be continue to be updated on the Human Resources website (www.louisville.edu/hr), including frequently asked questions.

Information sessions detailing the changes will be held on Belknap and Health Sciences campus in September.

Training sessions will also be provided to managers of employees that are changing to non-exempt, and open forums will be available for affected employees to ask questions in October.

Announcements with dates/times/location will be coming soon via email and on UofL Today.