



2016 FLSA Changes

TOOLKIT FOR EMPLOYEES

UNIVERSITY OF LOUISVILLE HUMAN RESOURCES

*Document is subject to change

Updated 10.13.16

The Fair Labor Standards Act (FLSA) and Upcoming Changes in 2016

On May 18th, 2016 the U.S. Department of Labor (DOL) released an update to the Fair Labor Standards Act (FLSA) that has raised the exempt status salary threshold from \$23,660 to \$47,476, effective December 1, 2016. These changes increase the number of employees eligible for overtime pay at the university and across the country.

To ensure compliance with this federal mandate, it was determined that some positions at the university would transition from exempt to non-exempt. This guide is to help those employees through this transition process.

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FLSA General Overview

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 workweek

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. Non-exempt employees must be **paid** for all time worked.

Higher Education Exception

With the new regulations there is a special carve out for higher education exceptions for jobs such as academic counselors. The University of Louisville minimum salary threshold for this exception is \$30,000. Visit the [HR FLSA website](#) for more information and a complete list of jobs that fall under this exception.

Exempt and Non-Exempt Status at University of Louisville

FLSA status of staff positions at the University of Louisville affects overtime pay, time reporting, leave accrual rates and the pay frequency.

Exempt and Non-Exempt Comparison Overview

	NON EXEMPT	EXEMPT
TIME REPORTING	Report all hours worked on timesheet.	Do not report hours worked.
ANNUAL LEAVE	10 annual leave days at time of hire, to maximum of 22 days.	15 annual leave days at time of hire, to maximum of 22 days.
SICK LEAVE	12 sick days per year.	12 sick days per year.
PERSONAL LEAVE	personal days per calendar year.	Not eligible for personal days.
OVERTIME PAY	<p>Overtime Straight Pay: For employees that work 37.5 hour workweeks¹ any hours worked between 37.5 and 40 hours must be compensated at the regular rate of pay.²</p> <p>Overtime ‘Time-and-a-Half’ Pay: Any hours worked beyond 40 hours in a workweek must be paid time-and-a-half of the regular rate of pay.</p>	Not eligible for overtime pay.
PAY FREQUENCY	Bi-Weekly	Monthly

¹ The University of Louisville workweek is Friday through Thursday.

² Compensatory time cannot be used to offset any additional hours worked.

2016 FLSA Update: What is changing?

Fair Labor Standards Act (FLSA) New Overtime Rule

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.

Changing from Exempt to Non-Exempt

To ensure compliance, some positions will transition from exempt to non-exempt. **All employees within an affected job title will move to non-exempt, even if their salary meets or is higher than the new salary threshold.**

Becoming Eligible for Overtime

Employees will become eligible for overtime when they change to non-exempt. To assist with understanding what this means for you, please refer to the table below.

WHAT WILL CHANGE?	WHAT WILL NOT CHANGE?
All hours worked must be reported, including overtime and time off.	Current employees switching to non-exempt will not see any changes in their current annual leave accrual rates, benefits or job title. These impacted employees are “grand-fathered” in and will keep their current leave accrual rates as long as they are in that job title.
All hours worked beyond 40 hours a workweek ³ will be paid overtime pay of time-and-a half.	
Will become eligible for two personal leave days beginning January 1, 2017. 1 day of personal leave will be granted for the remainder of 2016 during this transition.	
The pay schedule will be bi-weekly.	

What You Can Expect

Positions changing to non-exempt will make the transition effective **December 1, 2016** (*this had been updated since original communications*). At that time, you can expect to see differences in:

Time Reporting: All hours must be reported, including any overtime and time off.

Pay Period Change Begin to receive pay bi-weekly.

Overtime Pay Eligible to receive overtime pay (straight pay up to 40 hours and time-and-a-half for any hours worked over 40 during a university workweek of Friday to Thursday). Any overtime hours must be pre-approved by your supervisor. It is important to discuss with you your supervisor their expectations when it comes to managing your schedule and potential overtime.

³ The University of Louisville workweek is Friday through Thursday.

Leave Accruals

Annual Leave: Impacted employees moving to non-exempt job titles during this transition are “grand-fathered” in and will keep their current leave accrual rates as long as they are in that job title. If the employee leaves that job title for any reason, the “grand-fathered” leave accrual rate will end.

Personal Days: Impacted employees will receive **one** personal day to use for the remainder of 2016 and begin to receive **two** personal days each calendar year, beginning on January 1, 2017. Personal days are in addition to annual leave. It is important to note that personal days do not carry over like annual leave though and are available only on a calendar year basis.

Dates of Importance

DATE	EVENT
NOVEMBER 30, 2016	Last monthly payday for the month of November
NOVEMBER 28 – DECEMBER 2, 2016	Window for impacted employees to make adjustments to deductions
DECEMBER 1, 2016	Effective date of status changes. Impacted employees need to begin reporting all hours worked, including overtime and time off
DECEMBER 16, 2016	First bi-weekly paycheck for 6 out of 10 days (Dec 1-8). Includes ½ of monthly benefits deductions.
DECEMBER 22, 2016	Second bi-weekly paycheck (Dec 9-22), received early due to winter break. Includes ½ of monthly benefits deductions.
JANUARY 13, 2017	Next bi-weekly pay period (for Dec 23-Jan 5)

Things to Consider

During the transition period, there are some things you will want to consider.

Paycheck Deductions

Many paycheck deductions selected by employees are set up to have a fixed amount deducted **per pay period**. Because an impacted employee will now be paid bi-weekly, thus being paid more frequently in one month, they will want to make any necessary changes to their deductions to avoid having more deducted from their paycheck than they wish. These deductions may include, but are not limited to, Fidelity or TIAA Cref contributions, additional taxes, parking, etc.

Employees must complete any deduction changes from **November 28 – December 2, 2016** to make sure they are updated for their first bi-weekly paycheck on December 16, 2016. Additional information on how to make these changes will be provided to the employees with their letter.

Different Paycheck Amount

Employees becoming eligible for overtime will not have any change in overall pay. However, since impacted employees will be moving to a bi-weekly pay period, they will need to take into consideration their checks amounts will be different since they will be more frequent. To get an idea of their new gross paycheck amount, employees can visit our online paycheck calculator on the HR website (louisville.edu/hr/flsa).

Benefit Premiums

Impacted employees **will not have to pay any premiums for their health insurance** in the month of November (the final monthly paycheck). The first bi-weekly paycheck they will receive is December 16. The monthly benefit premiums for December (i.e. health, dental, vision, etc.) will be split between the two checks in December (December 16 and December 22).

The next bi-weekly payday is January 13. Supervisors should encourage affected employees to consider the impact of this (and all deductions) on their paycheck ahead of time.

Review your Personal Finances

In preparing to transition from monthly to bi-weekly, you should also review your non-UofL related automatic payments or transfers (i.e. mortgage payments, bank transfers etc) to make sure the timing is still appropriate and manageable.

Timesheet Training

As non-exempt, you must report all hours worked. You will want to discuss with your supervisor the departmental process for completing and submitting timesheets. The University of Louisville workweek is Friday through Thursday. Remember, non-exempt positions will have a standard hour of a 37.5 or 40-hour workweek. A workweek of Friday through Thursday should be used to determine if you will go over the standard hours in a workweek and become eligible for overtime pay. Your timesheet must be signed by your supervisor.

Mobile Device and Computer Usage After Working Hours

Using a mobile device or computer to access work emails or phone calls after work hours is considered time worked (and potential overtime) and must be reported as such. To avoid unexpected overtime, set expectations with non-exempt employees about the use of these devices. Employees should not work on any device after their normal working hours, unless approved by the supervisor and the time is tracked and compensated.

Using devices after normal working hours for non exempt employees	
 <p>Answer phone calls, read email or listen to voicemail</p>	NO , unless approved by the supervisor and paid for time worked.
 <p>Read/respond to email, or any additional work on computer</p>	NO , unless approved by the supervisor and paid for time worked.

Frequently Asked Questions

Visit louisville.edu/hr/flsa for frequently asked questions.

Additional Information

Q&A Sessions for Impacted Employees are scheduled the first two weeks of October. Dates and times are posted on the HR website (louisville.edu/hr).