

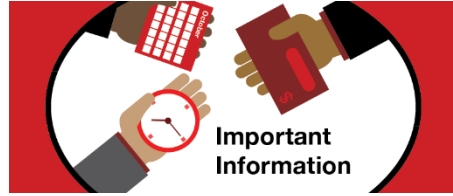
# **FLSA Information Session for Employee Changing from Exempt to Non-Exempt**

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PRESENTED BY:

UNIVERSITY OF LOUISVILLE HUMAN RESOURCES

**INCLUDES UPDATED STATUS EFFECTIVE DATE  
CHANGE INFORMATION TO DECEMBER 1**



# Agenda

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## Fair Labor Standards Act (FLSA)

- What is FLSA?
- What is new in 2016?
- How do you determine exemption status?

## Transitioning to Exempt

- Leave Accruals & “grand-fathered” status
- Considerations for impacted employee, pay, deductions, personal finance, etc.
- Questions



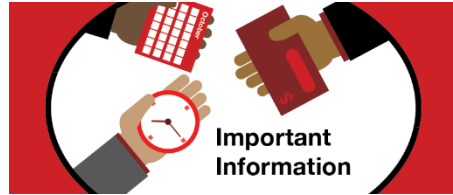
# What is FLSA?

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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** - Overtime pay at time-and-a-half for hours worked over 40 hours per workweek



# What is new in 2016?

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On May 18, 2016 the U.S. Department of Labor issued a final overtime rule that increases the number of employees eligible for overtime across the country.

- New **exempt employee minimum salary to \$47,476** – more than double the old minimum of \$23,660.
- No changes to duties test.
- New rule effective December 1, 2016**



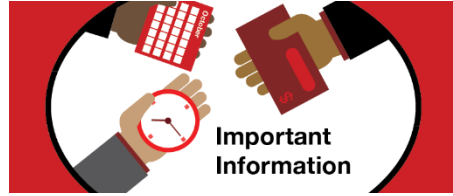
# Determining Exempt Status

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Position must pass **all** three tests

1. **Salary Basis Test:** Be paid on a fixed salary basis, not hourly;
2. **Duties Test:** Must pass tests under executive, administrative or professional requirements and;
3. **Salary Test:** Must be above the minimum **current** threshold of \$23,660

**If any of these test are not met, then the position is non-exempt and eligible of overtime pay.**

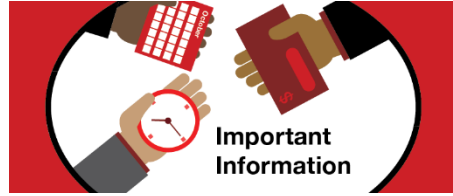


# Duties Test Exemption

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Executive	Administrative	Professional
<p><b>Primary Duties:</b> Managing the enterprise or department or subdivision of the enterprise and manage at least 2 FT employees</p>	<p><b>Primary Duties:</b> Includes independent discretion and judgement in matters of significance</p>	<p><b>Primary Duties:</b> Perform work that requires advanced knowledge in science, learned or creative professional</p>



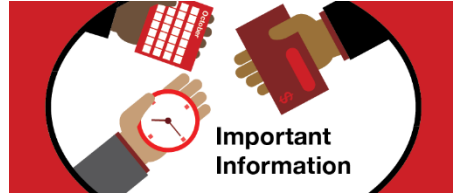


# Transitioning to Non-Exempt

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Effective December 1, 2016, if you received a notification letter, you will now be eligible for overtime pay.

- Begin to track all hours worked, including any overtime hours.
- Review overtime pre-approval guidelines with supervisor. Overtime hours must be approved.
- Submit bi-weekly timesheet for supervisor approval.

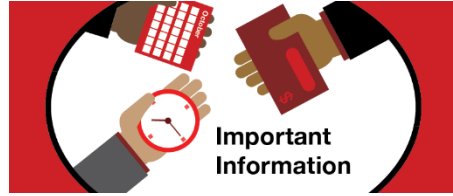


# Transitioning to Non-Exempt

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- All hours worked must be paid. No “comp” time is allowed
- Overtime must be pre-approved by supervisor.
- Overtime hours are based on UofL **workweek of Friday though Thursday.**
  - 37.5 to 40 hours paid straight overtime pay at your **regular hourly rate.**
  - Hours above 40 hours paid at **time-and-a-half** of your regular hourly rate.





# Leave Accruals

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## ANNUAL LEAVE ACCRUAL RATES

Leave Accrual Rates  
will stay the same\*

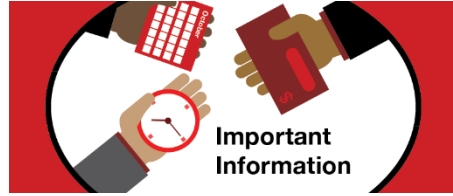
\* As long as you are in your  
current job title



## PERSONAL DAYS

Receive TWO personal  
days per calendar year\*\*

\*\* In 2016, you will have ONE  
personal day to use in November  
and December 2016.



# Accrual “Grand-fathered” Status

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- Impacted employees are only “grand-fathered” for their current job title.
- If the employee leaves that job title for any reason, they will no longer have the “grand-fathered” status, and will receive leave accrual rates based on their new job title’s exemption.



# “Grand-fathered” Status Examples

Example 1	Example 2	Example 3
A person moves from <b>Job Title X</b> in one department to <b>Job Title X</b> in another department on campus	A person moves from <b>Job Title X</b> in one department to <b>Job Title Y</b> in another department on campus. <b>Job Title Y</b> is also non-exempt.	A person transitions to non-exempt in <b>Job Title X</b> , and then a year later is reclassified to <b>Job Title Y</b> , also non-exempt.
Do they get to keep their “grand-fathered” status?	Do they get to keep their “grand-fathered” status?	Do they get to keep their “grand-fathered” status?
YES	NO	NO





# Transition Dates

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**November 30, 2016** - Last monthly paycheck. Does not include health insurance premiums.

**November 28 – Dec 2, 2016** - Window to make any desired deduction changes for first bi-weekly check

**December 1, 2016** - Begin non-exempt status. Start reporting all hours worked.

**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, received early due to winter break. Includes ½ of monthly benefits deductions.

**January 13, 2017** - Bi-weekly payday

**January 27, 2017** - Bi-weekly payday





# Receiving Pay Bi-Weekly

## EXEMPT

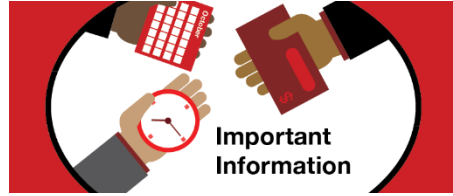
- Receive pay monthly for the month just worked.

## NON-EXEMPT

- Receive pay bi-weekly (every other Friday) from two *previous* workweeks worked.
- Example: Pay day of Friday, Sept 23 is for previous two workweeks Sept 2-15.

S	M	T	W	T	F	S
					2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24

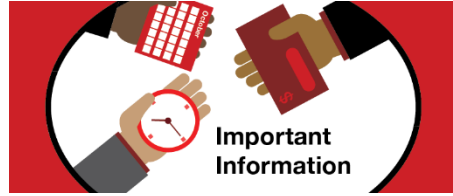




# Paycheck Changes

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- Bi-weekly employees are paid 26 times a year vs. 12 times a year for monthly employees.
- This means bi-weekly pay is not simply  $\frac{1}{2}$  of your previous monthly pay.



# Calculate Bi-weekly Check

EXAMPLE: Annual Salary: **\$55,294** Standard Hour: **37.5**

**Gross pay is before taxes and deductions.**

**Calculate hours worked per week**

$37.5 \times 52$  (weeks in year) = **1950** (work hours per year)

**Determine hourly rate**

$\$55,294$  (annual salary)/**1950** (work hours per year) =  
**\$28.36**

**Determine hours per pay period**

$37.5 \times 2$  weeks = **75** (hours per bi-weekly pay period)

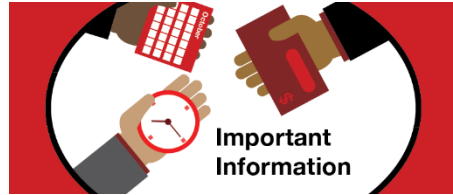
**Determine gross bi-weekly paycheck amount**

**\$28.36** (hourly rate)  $\times$  **75** (hours per bi-weekly pay period)  
= **\$2,127 gross per paycheck**

$\$2,127 \times 26$  (paydays in a year) = **\$55,302** per typical year

**For fiscal transition year of 2016/17, see next slide for calculations.**

Paycheck calculator is available online [louisville.edu/hr/flsa](http://louisville.edu/hr/flsa).



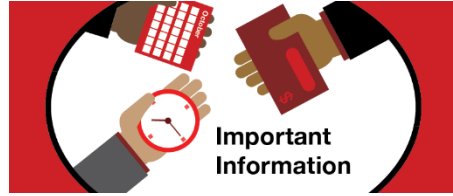
# Salary Snapshot for Transition during 2016-17 Fiscal Year

**Sample Annual Salary: \$55,294    Hourly rate: \$28.36**

Pay period	Gross Monthly Take Home Pay	Notes
<b>2016</b>		
July	\$4,504.74	(without merit)
August	\$4,710.91	(with merit & retro merit for July)
September	\$4,607.83	
October	\$4,607.83	
November	\$4,607.83	
December	\$3,403.20	(2 checks, 12/16 (6 out of 10 days), 12/22 (full bi-weekly check))
<b>2017</b>		
January	\$4,254	(2 checks, 1/13, 1/27)
February	\$4,254	(2 checks)
March	\$4,254	(2 checks)
April	\$4,254	(2 checks)
May	\$4,254	(2 checks)
June	<b>\$6,381</b>	<b>(3 checks)</b>
6 days in June (included on 1 <sup>st</sup> July check)	\$1,276.20	(this amount is only for the last 6 days worked in June – not the entire amount of first July check)

**Total Gross Salary in this 12 month fiscal year = \$55,369.54.**

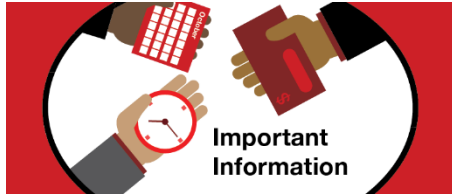




# Other Considerations



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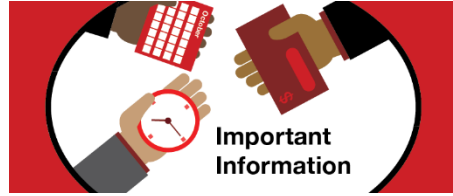
- **Deductions**
  - Review the deduction handout with your letter or online
  - Changes must be made from **Nov 28 – Dec 2, 2016**
  - **Benefit deductions will be split between two checks in December.**
  
- **Personal Finances**
  - Review non-UofL related automatic payments (i.e. mortgage payments) to make sure timing appropriate



## Can I use my phone or computer after hours?

Any use of a mobile phone or computer outside of normal work hours are considered “hours worked” and potential overtime.

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



## What if I have to work an event in outside normal working hours?

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Two options:

1. Receive overtime pay
2. Supervisor can approve adjustments to your schedule for that **workweek** (Friday through Thursday).

**Adjustments to a schedule can only be made during the same workweek.**

**Example:**

- You must work a four hour event Tuesday night
- Your supervisor can have you report to work four hours later Wednesday or two hours late Wednesday and Thursday.
- Friday starts the new workweek.



# Can I still travel?

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Yes. Time as part of the principle activity is work time and must be counted as hours work.

Review travel guidelines on [louisville.edu/hr/flsa](https://louisville.edu/hr/flsa) under Employee Resources.



# How do lunch and break times work?

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## LUNCH

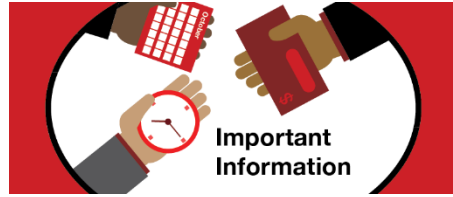
Eligible for 30 minutes of uninterrupted lunch break

- **Must be reported on timesheet**

## BREAKS

Eligible for two 15 minute breaks.

- Cannot be combined or used to shorten workweek
- **Must not be reported on timesheet**



# Questions

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For additional information, visit [louisville.edu/hr/flsa](https://louisville.edu/hr/flsa).

