

# FLSA Exemption Proposal

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On May 18, 2016, the Department of Labor issued the Final Rule on FLSA Overtime Rules to be effective December 1<sup>st</sup>, 2016.

The Final Rule:

- Sets the standard salary level threshold at the 40<sup>th</sup> percentile of weekly earnings for full-time salaried workers (\$970 per week, or \$47,476 annually)
- Sets the total annual compensation requirement for highly compensated employees to the annual equivalent of the 90<sup>th</sup> percentile of full-time salaried workers nationally (\$134,004)
- Establishes a mechanism for automatically updating the salary and compensation levels every 3 years to maintain levels at the above percentiles and to ensure that they continue to provide useful and effective tests for exemption
- The Final Rule amends the salary basis test to allow employees to use nondiscretionary bonuses and incentive payments to satisfy up to 10 percent of the new standard salary level

In order to comply with this rule, your HR Team has put together the following proposal.

## FLSA Exemption Proposal

The plan is to eliminate Grade 9 in the Professional Management Policy Group and move all positions to Grade 10 of the Administrative Clerical Policy Group and change their status to non-exempt.

Employees will keep their current step and move to Grade 10, Admin Clerical. The table below shows a summary of the cost of this change to existing employees.

PM, Grade 9 Employees	# of Employees	Current Salaries (Effect 11/19/2016)	Move to Grade 10/AC (Effective 11/19/2016)	Difference including Payroll Burden
Exempt under Threshold	23	\$775,864.32	\$814,007.04	\$47,068.12
Exempt over Threshold	5	\$222,443.76	\$233,328.48	\$13,431.74
Non-Exempt	10	\$431,711.28	\$452,852.40	\$26,088.14
<b>TOTAL</b>	<b>38</b>	<b>\$1,430,019.36</b>	<b>\$1,500,187.92</b>	<b>\$86,588.00</b>

For Grade 10 in the Professional Management policy group, the salary range will be revised to increase the minimum by 10.7% to \$45,414.00. Doing this will help minimize the gap with the new threshold while still leaving adequate distance between Grade 10's minimum and Grade 11's minimum. While Grade 10's revised minimum does not meet the new threshold, new employees that move into the exempt positions can be placed at a minimum of step 3.

### Current FY 2017

Professional/Mgt																	
Grade	Minimum Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Midpoint Step 8	Step 9	Step 10	Step 11	Step 12	Step 13	Step 14	Step 15	Maximum Step 16	
10	\$19.65	\$20.11	\$20.58	\$21.06	\$21.55	\$22.06	\$22.58	\$23.11	\$23.65	\$24.21	\$24.78	\$25.36	\$25.96	\$26.57	\$27.19	\$27.83	
Biweekly	\$1,572.00	\$1,608.80	\$1,646.40	\$1,684.80	\$1,724.00	\$1,764.80	\$1,806.40	\$1,848.80	\$1,892.00	\$1,936.80	\$1,982.40	\$2,028.80	\$2,076.80	\$2,125.60	\$2,175.20	\$2,226.40	
Annual	\$41,029.20	\$41,989.88	\$42,971.04	\$43,973.28	\$44,996.40	\$46,061.28	\$47,147.04	\$48,253.68	\$49,381.20	\$50,550.48	\$51,740.64	\$52,951.68	\$54,204.48	\$55,478.16	\$56,772.72	\$58,109.04	

### Revised FY 2017

Professional/Mgt																	
Grade	Minimum Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Midpoint Step 8	Step 9	Step 10	Step 11	Step 12	Step 13	Step 14	Step 15	Maximum Step 16	
10	\$21.75	\$22.26	\$22.78	\$23.32	\$23.87	\$24.43	\$25.00	\$25.59	\$26.19	\$26.81	\$27.44	\$28.08	\$28.74	\$29.42	\$30.11	\$30.82	
Biweekly	\$1,740.00	\$1,780.80	\$1,822.40	\$1,865.60	\$1,909.60	\$1,954.40	\$2,000.00	\$2,047.20	\$2,095.20	\$2,144.80	\$2,195.20	\$2,246.40	\$2,299.20	\$2,353.60	\$2,408.80	\$2,465.60	
Annual	\$45,414.00	\$46,478.88	\$47,564.64	\$48,692.16	\$49,840.66	\$51,009.84	\$52,200.00	\$53,431.82	\$54,684.72	\$55,979.28	\$57,294.72	\$58,631.04	\$60,009.12	\$61,428.96	\$62,869.68	\$64,352.16	

Exempt employees that are under the new threshold will move to step 3 in the revised Grade 10 scale, while all other employees will move to the closest step without losing money. The table below shows a summary of the cost of this change to existing employees.

PM, Grade 10 Employees	# of Employees	Current Salaries (Effective 11/19/2016)	Adjusted Salaries (Effective 11/19/2016)	Difference including Payroll Burden
Exempt under Threshold	19	\$746,296.32	\$799,854.02	\$66,090.20
Exempt over Threshold	20	\$940,299.36	\$948,818.64	\$10,512.79
Non-Exempt	12	\$583,931.04	\$589,438.08	\$6,795.69
<b>TOTAL</b>	<b>51</b>	<b>\$2,270,526.72</b>	<b>\$2,338,110.74</b>	<b>\$83,398.68</b>

In order to meet the December 1<sup>st</sup> 2016 deadline, the changes must be effective on November 19, 2016, Payroll #25.

Table below shows a summary of the total cost of both changes to existing employees.

Status	# of Employees	Current Salaries (Effective 11/19/2016)	Adjusted Salaries (Effective 11/19/2016)	Difference including Payroll Burden
PM, Grade 9 Employees	38	\$1,430,019.36	\$1,500,187.92	\$86,588.00
PM, Grade 10 Employees	51	\$2,270,526.72	\$2,338,110.74	\$83,398.68
<b>TOTAL</b>	<b>89</b>	<b>\$3,700,546.08</b>	<b>\$3,838,298.66</b>	<b>\$169,986.68</b>