

# Changes to the FLSA Overtime Rule and Compliance Steps

**Presented By:**

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# Presentation Overview

- Overview of FLSA requirements and changes
- Steps to comply
- Useful links
- Recommended communication/steps within your organization



# FLSA Requirements

The FLSA is an act that, in general, requires overtime and a minimum wage for all non-exempt employees.

Employees are exempt from needing to be paid overtime if they meet all three criteria:

- Paid on a salary basis
- Position duties meet one of the FLSA exemption tests.
- Earn an actual salary that is at or above the FLSA salary threshold.

**OR**

- Perform work where the primary duty is teaching; doctor, lawyer, or outside sales positions.



## Immediate Upcoming Changes

- Effective **July 1, 2024**, the FLSA salary threshold will increase from \$35,568 to \$43,888.
- At this time, this new rule is moving forward, though it has been legally challenged and we are monitoring status.



# Future Overtime Rule Changes

<b>DATE</b>	<b>STANDARD SALARY LEVEL</b>
January 1, 2025	\$1,128 per week (equivalent to \$58,656 per year)
July 1, 2027, and every 3 years thereafter	To be determined by applying to available data the methodology used to set the salary level in effect at the time of the update.



# Impacts to Employees

- The following employee types, typically considered exempt, will change to being non-exempt if paid an actual annual salary below the salary threshold:
  - Faculty and academic staff who do not teach and are not attorneys or doctors. This primarily includes: research associates and scholars.
  - APA, APSA, Nurses, Residence Life Staff, and Extension Professionals



# Projected Impact -Employee Count

## New Changes to the FLSA Salary Thresholds

**Current**

**\$35,568**

*\$684 per week*

**July 1, 2024**

**\$43,888**

*\$844 per week*

**Jan. 1, 2025**

**\$58,656**

*\$1128 per week*

Impact→ **<100 employees**

**>600 employees**

Counts only include APA/APSA level 12 and above, non-APA/APSA salaried support staff, and faculty and academic staff



# Impact of the January 1, 2025 Requirement on FAS

- The \$58,656 minimum salary predominantly impacts research associates. The current salary minimum is below this threshold.
- The Office of the Provost is closely monitoring whether the FLSA regulations will be put on hold. More guidance and information will be forthcoming in the next few months.
- Current FAS salary minimums: [Faculty and Academic Staff Salary Adjustment Guidelines 2022-2023.pdf \(msu.edu\)](#)





# Steps to Comply

1. Use the existing BI report to identify impacted employees. Determine who in your organization will be responsible for running the report. (Slides 8-13 in this presentation)
2. Determine the frequency and set reminders. (Run at least monthly)
3. When running the report, compare with previous reports to identify adds/changes.
4. Review each affected employee and determine best option to comply. (Slides 14-15 in this presentation)
5. Communicate changes to both the supervisor and employee.
6. Contact MSU HR or FASA if you have further questions or need assistance.



# BI Report - Employees Below the FLSA Threshold

- A BI report currently exists to identify impacted salaried employees whose actual annual salary is under the threshold.
- The report should be run monthly at a minimum and assigned to an individual in your department or college/MAU.



## Report Does Not Include

- Hourly paid employees, including CT's, temp/on-call, student hourly employees, or labor employees. These individuals are already treated as non-exempt and have established processes to track hours work and pay overtime at the university.
- Project pay employees
- Graduate assistants, undergraduate or professorial assistants.
- Salaried faculty and academic staff who are automatically exempt because they teach or fall under the attorney or doctor exemption.



## Report Detail

- Includes basic information about each employee, their org, assignment, actual annual salary, employment percent and level.
- Can be sorted by Org Code and filtered by Department, Personnel Sub Area, and Pay Scale Level.



# Report Detail

Personnel Subarea	Employee Group	Employee Subgroup Code	Employee Subgroup Name	Payroll Area	Job Code	Job Title	Position Number	Position Title	Annual Salary	Capacity Utilization Level	Pay Scale Level
FAS	Non-Union	AO	AN Academic Staff	MSU: Monthly	20001588	Curator-Fixed Term	30227969	Curator-Fixed Term	\$23,200.00	40	01
AP	Union	A7	Salary Level 2	MSU: Monthly	20002083	Information Technologist II	30325996	Information Technologist II	\$33,152.40	50	13
AP	Union	A7	Salary Level 2	MSU: Monthly	20002284	Research Assistant III	30039118	Research Assistant III	\$33,152.52	50	13
AP	Union	A3	Salary Level 1	MSU: Monthly	20001764	Administrative Assistant I	30336734	Administrative Assistant I	\$34,510.93	75	10
FAS	Non-Union	AO	AN Academic Staff	MSU: Monthly	20001668	Research Associate-Fixed Term	30480647	Research Associate-Fixed Term	\$32,759.97	63	01



# Full and Part-Time Employees on the Report

- The selection criteria of full-time employees and part-time employees has been provided on the report selection screen.
- Reporting on full-time employees (90% or above) will assist in identifying employees who are already working at or close to 40 hours per week and could have a greater propensity for working overtime.
- Reporting on part-time employees allows the ability to identify employees who have additional hours to work during the week before reaching the 40-hour mark.



# Report Logistics

- An EBS Business Intelligence Report
- Within BI, located at **Team Content > HR-Payroll Folder > University HR-Payroll Reports > OMPA-Organizational Management/Personnel Administration > Salaried Employees Below the FLSA Threshold – HRP1149**
- Report can be run openly across the university or based on MAU/College or specific departmental units.
- Access is available automatically to those with the Manager Self-Service (MSS) and HR Unit Admin role.
- [BI Report Instructions](#)



# Options to Comply

OPTION 1 - Track the employee's time weekly and pay overtime at time and a half.

- Recommended option
- Time sheets are required to be completed weekly, approved by the supervisor, and kept on file.
- Must be done, even if there is an agreement with the employee to not work overtime.
- If the employee works over 40 hours in a week, pay them overtime or give them comp time, according to MSU policy.
- Challenges include: administratively burdensome, risk of noncompliance if not communicated/implemented well





## Options to Comply Cont'd

OPTION 2 - Increase the actual annual salary of the employee to the threshold amount (\$43,888)

- Not recommended immediately
- Depends on the employee percentage of assignment
- May impact equity in your org
- Sets a precedence that may need to be handled differently in the future.
- Not reversible if FLSA regulations are put on hold.
- Consult with HR or FASA before proceeding.



## APA/APSA Levels 8-11

- APA and APSA contracts require that overtime or comp time be provided for pay grade levels 8-11, regardless of salary amount. This applies also to non-union APA/APSA 8-11.
- The method to pay overtime/comp time for these employees has not changed. **Overtime/comp time is entered in EBS timekeeping.**
- Departments should already be identifying if overtime has been worked, regardless of salary amount.



# APA/APSA Level 12 and above/Regular FAS and Other Salaried employees

1. Must track time if below the threshold.
2. Overtime and compensatory time cannot be entered into EBS timekeeping. To trigger payment, calculate the amount owed and submit an Additional Payment Form.
3. See the Time Tracking Chart on the [HR FLSA Page](#)
4. Absences should not be counted towards the 40-hour workweek. (Sick, vacation, personal, personal observance, unpaid time). Holiday hours count as time worked.



## A note on Faculty/Academic Staff

- Helpful policy to reference: [Faculty and Academic Staff Overtime and Time Tracking Policy and Procedure \(msu.edu\)](#)
  - Includes a list of supervisor responsibilities and employee responsibilities for time tracking
- Share with faculty supervisors and impacted employees



## Useful Links

1. [HR FLSA Page](#) - Contains links to:
  - Related to MSU HR policies
  - Time Tracking chart and template
  - FAQ's
2. [Dept of Labor - Wage and Hour Division - Final Rule](#)



## Future Communication

Human Resources and the Office for Faculty and Academic Staff Affairs will communicate the following:

- Any changes to the legal status of the overtime rule implementation, from now moving forward.
- Confirmation of the January 1, 2025 salary threshold, if still on track to be implemented. This will be communicated toward the end of the year. No educational session is planned for this second phase. Units will be responsible for continuing to monitor compliance.
- Any changes to information or links on the HR FLSA web page.
- Any new changes to the overtime rule that may result from legal challenges.



# Support or Questions:

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