

FINAL RULE Released: Fair Labor Standards Act

OVERTIME REGULATIONS

Today, the Department of Labor (DOL) released its final regulations making changes to Part 541 governing overtime exemptions under the Fair Labor Standards Act (FLSA).

Here are the key elements of the new regulation that you need to know now:

1. Salary Threshold Changed to \$913/week (\$47,476 per Year)

This threshold doubles the current salary threshold level. It encompasses many employees that are currently classified as exempt. This threshold is supposed to encompass those employees that are clearly not engaged in exempt-type work.

2. Automatic Salary Threshold Increases Every 3 Years (Not Annually) to Maintain Level at 40th Percentile in Lowest-Wage Census Region

Instead of annual increases, the threshold will be adjusted every 3 years to maintain the level at the 40th percentile of full-time salaried workers in the lowest-wage Census region. Automatically updating the salary threshold, however, does not allow the government to take into account changing economic conditions, specific impact on certain industries, or regional differences.

3. Duties Test is Unchanged

See attachment (old salary threshold is listed, but the rest is the same)

4. Effective Date is December 1, 2016

HR professionals should review their current workforce immediately to determine which employees are affected, whether to re-classify those employees, and execute a communications strategy. HR should keep in mind the periodic adjustments and set a regular review process.

5. Highly Compensated Employee (HCE) Exemption Is Now \$134,004 per Year

The final rule retains the methodology in the proposed rule setting the threshold at the 90th percentile of full-time salaried workers nationally.