Presentation Overview

- Why are we here?
- What is the impact for Murray State?
- What happens next?
- Q&A
Why are we here?

Background/Overview
Department of Labor – Regulatory body for the Fair Labor Standards Act (FLSA)

Revisions to overtime rules effective: May 18

Effective Date of change

December 1, 2016

Determine impact for MSU

Overtime
Setting the Stage

- Regular faculty not impacted
- All exempt positions will be reviewed
- Process will not reduce current compensation
- Some employees will benefit from overtime eligibility
- Presentation slides will be on HR website

Session focus: position analysis questionnaires
Fair Labor Standards Act (FLSA)

Background/Overview
FLSA Regulations

- Establishes Guidelines for:
  - Minimum wage
  - Overtime pay
  - Child labor laws
  - Recordkeeping
<table>
<thead>
<tr>
<th>Exempt Employees</th>
<th>Non-exempt Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Paid on a fixed salary basis.</td>
<td>• Paid an hourly rate for all hours worked.</td>
</tr>
<tr>
<td>• Paid at least $913 per week.</td>
<td>• Paid overtime for all hours worked above 40 hours.</td>
</tr>
<tr>
<td>• Job duties meet one of the FLSA exemption tests.</td>
<td>• Job duties <strong>do not</strong> meet any of the exemptions tests.</td>
</tr>
</tbody>
</table>
FLSA Non-Exempt Status

- Must be paid for all hours worked
- May not work “off the clock”
- Hours worked includes ALL required work time
FLSA Overtime Pay

- Pay for hours worked over 40 hours
- Based on work week not pay period
- MSU’s work week is Saturday – Friday
Travel Time Pay

- Non-compensable work time
  - Home-to-work travel or commuting

- Compensable work time
  - Travel during normal work hours
  - Travel outside normal work hours may be compensable
  - Work during commute may be compensable
FLSA Exempt Status

- Exempt employees:
  - Not entitled to overtime pay
  - Must meet minimum salary threshold
  - Subject to duties test as defined by DOL
- Based on work performed – not job title
- Commonly referred to as salaried or monthly
What are the major changes?
Primary Changes – Exempt Employees

**OLD Overtime Rule**

$23,660

Previously, full-time, salaried workers who earned up to this amount annually ($455 a week) were not eligible for FLSA overtime protections.

**NEW Overtime Rule**

$47,476

The DOL more than doubled the salary threshold, requiring employers to pay workers who make up to this annual amount ($913 a week) overtime pay.
# Estimated Automatic Increases

<table>
<thead>
<tr>
<th>Year</th>
<th>Minimum Salary Level</th>
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</thead>
<tbody>
<tr>
<td>2017</td>
<td>47,476</td>
</tr>
<tr>
<td>2020</td>
<td>51,168</td>
</tr>
<tr>
<td>2023</td>
<td>55,148</td>
</tr>
<tr>
<td>2026</td>
<td>59,437</td>
</tr>
<tr>
<td>2029</td>
<td>64,060</td>
</tr>
<tr>
<td>2032</td>
<td>69,042</td>
</tr>
<tr>
<td>2035</td>
<td>74,411</td>
</tr>
</tbody>
</table>
FLSA and Higher Education

- Certain administrative academic positions
- Some athletic coaches, assistant coaches, and trainers if primary duty is instructing
- HR will utilize all available exemptions
- Compensatory time under review
Impact to Murray State University
Impact to Murray State University

- Phase 1 - Project management and communication
- Phase 2 - Position analysis questionnaire
- Phase 3 - Human Resources review
- Phase 4 - Institutional review for financial impact
- Phase 5 - Campus communication & implementation
Impact to Murray State University

**MSU**

- Campus Review:
  - Position analysis
  - HR review and determination
  - Reclassification of positions
  - Compensation structure

  Based on FLSA guidelines including those specific to higher education

**Exempt Employees**

- Potential Changes:
  - Position classification
  - Eligibility for overtime
  - Pay frequency
  - Timesheets

  Based on final determination
Impact – Compensation Structure

- Pay grades
- Transitional grouping
- Human Resources-compensation system analysis
Increased Time Reporting Requirements

- Non-exempt employees must be paid for all hours worked
- Bi-weekly timesheets
  - More employees required to complete timesheets
  - Supervisors will have to manage and approve time reporting for more employees
HR & Payroll Training

- Additional training will be available
  - Employee sessions
  - Supervisor sessions
- ITV sessions for off-campus sites
- October 2016
Managing Morale

Managers must lead by example

- Maintain positive outlook
- Changes may result in
  - Employee may view as demotion
  - Decreased employee engagement
  - Lack of clarity of role in organization
Managing Morale

Workload Distribution

- Increased workload of some exempt employees
- Supervisors are responsible for managing workflow
Position Analysis Process
**FLSA Classification Process**

**STEP 1: SALARY BASIS TEST**
Is the employee paid at least $913 per week ($47,476 annual).

**YES**
- EMPLOYEE IS NON-EXEMPT

**NO**
- EMPLOYEE IS NON-EXEMPT

**STEP 2: EXEMPTION APPLICABILITY**
Does the employee perform any of the following types of jobs?
- Executive
- Administrative
- Professional/creative
- Computer professionals
- Outside Sales

**YES**
- EMPLOYEE IS NON-EXEMPT

**NO**
- EMPLOYEE IS NON-EXEMPT

**STEP 3: JOB ANALYSIS**
HR performs thorough analysis of job duties.
Exempt positions must pass both the salary basis and the duties tests.

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**Notes:**
- Executive
- Administrative
- Professional/creative
- Computer professionals
- Outside Sales

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**DOL FLSA REVISION**
Position Analysis Process

Position Analysis Questionnaires:
• Distributed to Department Heads

Questionnaires completed by:
• Supervisors
• Employees

Human Resources:
• Review documentation
• Classify positions

Campus communication:
• Department Heads
• Impacted Employees
Position Analysis

Position Analysis Questionnaires:

- Distributed to Department Heads through email
- Email will contain
  - Instructions
  - General information
  - Helpful tips
- Department heads will determine questionnaire distribution within their area
- Position descriptions will be shared through Google Drive
Questionnaires completed by:

- Supervisors
- Employees
- Responsibility of the department head to ensure completion
- Employees and department heads/supervisor should complete questionnaires independently

Note:

- Vacant positions will only have a supervisor questionnaire completed
Position Analysis

Human Resources:
- Review documentation provided from the questionnaire
- Interactive process with department heads
- Classify positions
  - Final determination
  - Most extensive phase of this processes
Position Analysis

Campus communication:
- Department Heads
- Impacted Employees
- Final communication of reclassification early October
- MSU effective date of change November 12, 2016
Completing Position Analysis Questionnaire
Position Analysis Questionnaire for Supervisors

1. Supervisor’s general information
2. Position information
3. Physical work environment
4. Education/experience requirements
Position Analysis Questionnaire for Employees

1. Employee’s general information
2. Position information
3. Physical work environment
4. Education/experience requirements
5. Primary Purpose (Position Objective)
Considerations for Position Analysis

- Basis for FLSA determination of overtime eligibility
- Identifies knowledge, skills and abilities (KSAs) required for position
- Supervisor questionnaire required for consideration for exemption from overtime
Knowledge/Skills/Abilities

**KNOWLEDGE:**
Represents the information that is applied directly to the performance of the work functions.

*Example:* Knowledge of federal, state, and local laws specific to department.
SKILLS:
Proficiencies which are learned and acquired through training. Skills should be measurable and observable.

Example: Skills in preparing monthly financial reports with no errors.
Knowledge/Skills/Abilities

ABILITIES:
Capacity to apply knowledge and skills in order to complete tasks assigned.

Example: Ability to communicate in writing and present ideas effectively.
Final Thoughts
Position Analysis Process

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Questionnaires completed by:
- Supervisors
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Human Resources:
- Review documentation
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Campus communication:
- Department Heads
- Impacted Employees

Due date: August 15, 2016

October 2016
Final Thoughts

- Institutional review - fiscal impact & policy revisions
- Interactive process with department heads
- Supervisor questionnaire **required**
- Federal mandated compliance by December 1, 2016
Questions?