



## EFFECTIVE DEC. 1ST, 2016, THE DOL'S FINAL RULES UNDER THE FAIR LABOR STANDARDS ACT WILL INCREASE THE EXEMPT THRESHOLDS FOR OVERTIME PAY.

While these changes do present some challenges to employers, is it critical that the following steps be taken to stay compliant:

- Identify employees who need reclassification
- Check their salaries and conduct a job duty review
- Develop a new compensation plan for reclassified employees
- Review wage-hour policies and processes
- Communicate changes to employees and management
- Train reclassified employees and their managers

Reclassifying employees can be time consuming and misclassification or non-compliance can be costly.

### What is changing?

The FLSA overtime rule changes affect the classification of non-exempt and exempt employees.

- Non-exempt Employees: paid hourly and receive overtime pay after 40 hours of work per week at 1.5 times their regular rate of pay.
- Exempt Employees: salaried employees that are "exempt" from receiving overtime pay.

### Employer Obligations

#### Access & Conduct Re-classifications

1. Identity employees who need reclassification
  - Check salaries versus requirements.
  - Conduct a full job duty review; ***sometimes salary is not the trigger.***
2. Develop new compensation plan for reclassified employees.
3. Review wage-hour policies and processes.
4. Communicate changes to employees and management.



5. Train reclassified employees and their managers.
6. Get it all done by December 1st to avoid penalties and litigation.

## **Cost of Non-Compliance and Misclassification**

- Employees misclassified as exempt are entitled to back overtime pay.
- The employer may be subject to fines and damages.
- If an employee is classified incorrectly, a record of their hours worked is required by the court.
- There could be up to a 3-year look back period.
- Failure to present time-sheets may result in the court granting the employee's estimates.
- Civil penalties up to \$1,100 per person.
- Plaintiff's attorney's fees and costs.
- Employer's defense fees and costs.

**EMPLOYERS SHOULD START THIS PROCESS BY OCTOBER 1ST, 2016  
TO BE COMPLIANT BY DECEMBER 1ST, 2016.**

To learn more about how benefitsContinuum can help your company face these ongoing compliance challenges, reach out today.

**JIM DURKIN**, *Principal & Owner*

benefitsContinuum, Inc.  
New Jersey • Pennsylvania • New York

[JDurkin@benefitsContinuum.com](mailto:JDurkin@benefitsContinuum.com)  
[www.benefitsContinuum.com](http://www.benefitsContinuum.com)