

Date: June 20, 2018

To: Deans' Academic Personnel Staff

From: Katina Napper, Assistant Vice Provost for Academic Personnel



Re: Update on Department of Labor Salary Threshold Ruling

As you may recall, in 2016 the Department of Labor (DOL) indicated it would be doubling the minimum salary threshold for Fair Labor Standards Act (FLSA) exempt employees from \$23,660/year to \$47,476/year effective December 1, 2017. In anticipation of the effective date of the proposed rule, the University reclassified nonstudent, non-faculty academic employees earning less than \$47,476 to non-exempt hourly employees effective November 20, 2016. As of November 2017, the DOL, under the current federal administration made clear that the proposed \$47,476 threshold will not be instituted. The FLSA threshold therefore is, and will remain, at \$23,660/year unless further rulemaking is undertaken by the DOL.

As a result of this decision, the University will reclassify current non-student, non-faculty academic employees making less than \$47,476 but more than \$23,660 as exempt effective July 1, 2018. The threshold is based on actual earnings, not the full time rate. In other words, a full-time employee with an annual rate of \$50,000 is classified as exempt. That same employee working 25% time has an annual salary of \$12,500 and thus is classified as non-exempt. Beginning immediately, employees will be transitioned as follows:

- New employees with salary rate of \$23,661 or higher will be classified as exempt and paid on a monthly basis
- Current exempt employees who experience a change in percentage of time resulting in a salary of \$23,661 or higher will remain exempt
- Current exempt employees who experience a change in percentage of time resulting in a salary of \$23,660 or lower will be transitioned to non-exempt status and bi-weekly pay
- Current non-exempt employees with a salary greater than \$23,660 who are reappointed before July 1, 2018 will be transitioned to exempt status and monthly pay effective the start date of the reappointment
- Effective July 1, 2018, any remaining non-exempt employees with a salary greater than \$23,660 will be transitioned to exempt status and monthly pay

In support of these changes, the job code 003330 Jr. Specialist (exempt) has been reinstated and salary scale Table 24 has been updated to include annual and monthly rates for Jr. Specialists.

The Academic Personnel office will be directly notifying impacted employees of the upcoming changes. Approval letters for appointments, reappointments, and modifications will continue to indicate an hourly rate for non-exempt employees and an annual rate for exempt employees.

1. Q: What does it mean to be exempt or non-exempt under the Fair Labor Standards Act (FLSA)?

A: The federal Fair Labor Standards Act (FLSA) defines the duties that make an employee overtime-eligible (“non-exempt”) or overtime-exempt (“exempt”). Most employees covered by the FLSA must be paid at least the minimum wage and premium overtime pay for any hours they work beyond 40 in a workweek. The FLSA does, however, exempt certain kinds of covered employees from the minimum wage and overtime requirements, including bona fide executive, administrative, and professional employees. To qualify for one of the executive, administrative or professional exemptions, an employee must be paid a predetermined salary that is above a certain amount and perform certain duties. Currently, most employees who are classified as overtime-exempt must earn at least \$455 per week, or \$23,660 per year, according to the FLSA.

2. Q: Why is UC changing my FLSA status from non-exempt to exempt and how does that impact me?

A: Consistent with federal law, current non-faculty, non-student academic appointees who earn more than \$455/week (\$23,660/year) will be reclassified to overtime-exempt status, effective July 1, 2018. You are earning more than the FLSA minimum salary threshold and the level of responsibility associated with your job title meets the definition of exempt work. Under the federal law, exempt employees do not receive overtime for hours worked in excess of 40 in a work week. As an overtime-exempt employee, you will no longer be asked to record hourly work time for the purposes of receiving salary (with the exception of employees on approved Family Medical Leave). You will start recording use of vacation and sick leave in one-day increments.

3. Q: I am currently paid biweekly. Will I convert to the monthly pay schedule?

A: If you are re-classified as an exempt employee, your pay period will change from biweekly to monthly.

The monthly pay period begins on the first calendar day of the month and ends on the last calendar day of the month. Payment is scheduled for the first working day following the close of the pay period. If a non-working day occurs between the end of the pay period and the first working day of the next pay period, payment is made on the last working day of the pay period, except that December earnings are always paid on the first banking day after January 1. Note: Direct deposit transactions for the December payroll must not be scheduled to have a settlement date prior to January 2. Only twelve monthly pay dates may occur within a calendar year.

4. Q: When will the change from a biweekly pay schedule to a monthly pay schedule take effect?

A: Newly exempt employees will transition to the monthly pay schedule on July 1, 2018. We selected the July 1, 2018 date because it is the only day in 2018 that the biweekly and monthly pay periods align such that employees reclassified on that date will not be inconvenienced by payroll deduction adjustments during the conversion.

The first monthly payday after July 1, 2018 is August 1, 2018. The last biweekly payday is July 11, 2018 and covers the pay period June 17-30, 2018.

5. Q: What should I consider to prepare for the change?

A: It is important that you review your personal budget situation and determine your income needs based on the new monthly pay schedule. In preparation for the conversion, we suggest that you take the following steps:

- Review your current tax withholding elections and make any necessary changes. Pay particular attention to additional tax withholding amounts.
- Review your current voluntary contributions to your 403(b) and 457(b) plans.
- If appropriate, request that third-parties adjust your automatic withdrawal or bill-pay dates to align with your new pay schedule.

6. Q: I contribute to my 403(b) and 457(b) plans. When will my contributions be taken?

A: Percentage deduction: If you set up your contributions as a percentage deduction, the percentage amount will be taken each paycheck (12 times a year for monthly pay). For example, if your current 403(b) contribution is 5 percent each biweekly payday, a single 5 percent contribution will be made monthly.

Flat Dollar deduction: If you set up your contributions as a fixed flat dollar amount, the flat dollar amount will be withheld on your monthly payday. For example, if your current 403(b) contribution is \$100.00 per month, it will no longer be divided into a \$50.00 contribution each biweekly payday. Instead the entire \$100.00 will be withheld from your monthly paycheck.

7. Q: What if I pay some of my bills through automatic bill pay?

A: If you have automatic bill pay set up for any regular expenses, such as mortgage payments, student loan payments or car payments, we encourage you to work directly with your financial institution(s) to change payment dates as needed.

8. Q: Will I need to make any changes to my tax withholding?

A: As everyone's tax questions are different, for tax questions please consult IRS and State Franchise Tax Board websites or contact a tax professional for help. For other tax questions, please consult IRS (<https://www.irs.gov/>) and State Franchise Tax Board (for California: <https://www.ftb.ca.gov/>) websites or contact a tax professional for help. If you would like to adjust your withholding amount, please go to the At Your Service website or the UCPath Portal (for UCM, UCR, ASUCLA, and UCOP employees) and review and/or update your W-4/DE-4 Form.

9. Q: Will I need to make any changes to my direct deposit?

A: No.

10. Q: I have a garnishment deduction. How will the transition to monthly pay affect the amount deducted for my garnishment?

A: If the garnishment deduction is calculated as a percentage of your earnings, a deduction will occur each pay period, up to the maximum deduction allowed based on federal and state regulations. For example, if your garnishment deduction is 25 percent of your pay, that amount will be deducted each payday.

If the garnishment deduction is a fixed amount, the amount will be recalculated to a monthly amount. For example, a biweekly \$125 garnishment payment will become \$250, deducted during each monthly payday.

11. Q: When is my retirement deduction taken?

A: The UC mandatory retirement contributions, University of California Retirement Plan and the Defined Contribution Plan, are taken each monthly payday.

12. Q: Who should I contact if I have questions regarding my FLSA classification or the monthly pay cycle conversion?

A: If you have questions for which you need immediate assistance, please contact your supervisor or academic personnel office.