

MICHIGAN STATE
UNIVERSITY

August 29, 2016

MEMORANDUM

TO: Deans, Directors, and Chairpersons

FROM: Sharon E. Butler, Associate Vice President for Human Resources
Theodore H. Curry, II, Associate Provost and Associate Vice President for Academic Human Resources

CC: HR Unit Administrators
Fiscal Officers

SUBJECT: Fair Labor Standards Act Regulations Finalized

Background

On January 6 and April 27, 2016, we shared with you information about the impending changes to the Fair Labor Standards Act (FLSA) regulations. On May 18, 2016, those changes became final and the U.S. Department of Labor (DOL) released [updated regulations](#) that employers must follow in order to comply with the FLSA. The most significant of the changes increases the number of employees eligible for overtime pay.



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Eligibility for overtime pay is determined by certain tests of job duties and pay. Under the new regulations, employees must be classified as non-exempt and will be eligible for overtime pay if their annual salary is below \$47,476 (increased from the previous threshold of \$23,660) with a few exceptions. What this means is that **employees currently making between \$23,660 and \$47,476 and classified as exempt will lose their exemption** unless they fall into the doctor, teacher, lawyer, academic administrative personnel and outside sales exceptions¹. The impacted employees will need to be paid overtime according to federal requirements at a time and a half rate². The DOL will automatically update the salary level every three years using the 40th percentile of weekly earnings for full-time salaried workers in the lowest paid quadrant of the country.

The final regulations go into effect on December 1, 2016.

We have conducted a high level analysis regarding the impact to the university (attached). However, this analysis is only for assessment of potential overall impact. The specific impact will ultimately depend on different choices made at the local level. The university recognizes the uniqueness within each college, department and unit and is

¹ Note, many employees at MSU will be exempt regardless of salary because of the teacher exemption.

² There is the possibility of compensatory time in lieu of overtime, but only in certain circumstances.

not implementing a one-size-fits-all solution to address the regulation change. Each unit should conduct a unit impact analysis and initiate discussions on how the impact will be handled.

We have already been working with HR representatives and budget officers to prepare for these changes. We distributed toolkits and other materials to assist in this process.

We have created a web page containing numerous resources on MSU Human Resources website: www.hr.msu.edu/flsa.

If you are considering increases to salaries, we ask that you wait for instructions from us, as we are developing a mechanism to track pay increases associated with FLSA compliance. This process will be deployed in time for the December 1, 2016 compliance date.

We realize that these changes may have a significant impact on your business operations and are working diligently to develop a wide range of resources to assist with change management associated with the new regulations.

Next Steps for MSU

August - September 2016

MSU Human Resources, together with Academic Human Resources and the Office of the General Counsel, is working to develop FLSA policies, toolkits, updated frequently asked questions, and other resources to assist units with preparing for implementation of the new regulations. We will also continue to meet with significantly impacted units.

Supervisors, budget officers and/or administrators will continue to work with MSU Human Resources to ensure employees are currently classified appropriately. We encourage units to analyze the impact of these changes, utilizing the FLSA Step-by-Step Toolkit posted [here](#) on the HR website. There will also be a toolkit designed just for Principal Investigators who supervise Research Associates. The group of Research Associates earning less than \$47,476 is the largest impacted group of employees at MSU.

We will continue to hold forums for HR representatives and budget officers to communicate additional information about the changes.

October - November 2016

Supervisors will initiate communications with impacted employees (face-to-face and written) in October. Templates for these communications as well as training, unit level reports, targeted communications, and other support will be provided prior to the December 1, 2016 effective date. Communication will need to be handled carefully and sensitively given the potential for concern and anxiety by employees who are impacted.

December 2016

The new FLSA regulations will go into effect on December 1, 2016.

Please keep in mind that compliance with the new FLSA regulations is critical - our teams are available to provide guidance as needed in preparation for implementation.

Immediate questions may be directed to:

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