Information regarding Exemption Status Changes
for employees moving from Exempt to Non-Exempt under the Fair Labor Standards Act

What does exemption status mean?

Under the Fair Labor Standards Act (FLSA), employees are entitled to receive pay for all time worked. Additionally, employees are entitled to overtime pay, at a rate no less than time and a half, for time worked in excess of 40 hours in a workweek. This is the standard for all jobs unless specifically exempted from overtime provisions.

While the FLSA gives preference to non-exempt status, employers may classify positions as exempt if two criteria are met. First, the position must perform specific duties and responsibilities that qualify for exemption. This is commonly referred to as a “duties test.” Secondly, the position must be paid at a rate no less than $684 per week or $35,568 per year.

When a position meets these qualifications, it is referred to as “exempt” and the incumbent is paid on a salaried (monthly) basis. If a position is not exempted from FLSA overtime provisions, it is referred to as “non-exempt” and the incumbent is paid for all time worked (hourly).

Why is the exemption status changing for my job?

Effective January 1, 2020, the Department of Labor will increase the salary threshold for exemption status from $23,660 per year to $35,568 per year. To ensure compliance with the adjusted threshold, the University will modify exempt positions below Grade 11 to non-exempt. Additionally, part-time exempt personnel that do not meet the salary threshold will move to non-exempt status. These changes will take effect November 23, 2019.

What is the payroll impact of moving exemption statuses?

Employees who were formerly exempt will receive 26 biweekly paychecks per year, rather than 12 monthly paychecks. Their annual salary will remain more or less the same, dependent on actual hours worked.

Twice a year non-exempt employees receive three paychecks in one month. In such cases, the third paycheck does not include voluntary benefit deductions.

The impact to payroll is as follows:

- **11/23/2019:** Employee begins clocking in and tracking all hours worked
• 11/27/2019: Employee will receive last (partial) monthly check for 11/1/2019-11/22/2019 with full monthly benefit deductions
• 12/9/2019: Time Entry for hours worked between 11/23/2019-12/6/2019 is submitted
• 12/13/2019: Employee receives a paycheck that includes full bi-weekly pay for time worked from 11/23/2019-12/6/2019 with regular biweekly benefit deductions
• 12/17/2019: Time Entry for hours worked from 12/7/2019-12/20/2019 is submitted
• 12/27/2019: Employee receives first regular bi-weekly paycheck for time worked from 12/7/2019-12/20/2019 with regular biweekly benefit deductions

What should I consider when moving from exempt to non-exempt status?

It may be worthwhile to review any form of automatic withdrawal, withholding or deduction you are enrolled in to accommodate the change in your pay frequency. This may include reviewing:

• Your paystub and direct deposit on MyUNM / LoboWeb and Bill Payments to determine whether fixed withdrawals should be updated
• Automatic payments from bank account(s)
• Additional tax withholdings, as indicated on your W4 located on MyUNM / LoboWeb
• Retirement@Work for supplemental retirement deductions. Supplemental retirement deductions may include a 403B and/or 457B.*

*This does not impact your ERB contributions.

How can I anticipate what my paycheck will look like?

Employees are encouraged to access the Payroll Calculator online to gain an estimation of their biweekly paycheck amount. The Payroll Calculator can be accessed at this link or by following these steps:

• Go to MyUNM and click on the Staff tab
• Scroll down to My Pay link
• Click on the Payroll Calculator
• Log in
• Fill in the blanks on the Payroll Calculator

How will this change the way I track the time I work?

As an exempt employee, you were not required to track all time worked. However, as a non-exempt employee you must do so. Employees should have a one-on-one discussion with their supervisors regarding policies and expectations related to timekeeping, such as:

• Department timekeeping procedures
• Job duties, department roles and work schedules
• Use of compensatory ("comp") time and flex time

Refer to UAP 2610: Time and Leave Reporting for more information about timekeeping. Additionally, supervisors are encouraged to enroll in Accurate Time Reporting on Learning Central as a refresher on how to appropriately track, report, and pay for an employee’s time worked.
**How will this change the way I conduct my work?**

Employees and supervisors are encouraged to discuss the following:

- Meetings that go beyond the standard workday
- Lunch breaks
- Holiday pay
- Staff luncheons, special celebrations and retreats
- Use of laptops, cell phones, email and/or other work taken home
- Deliverables that must be performed outside regular work hours, necessitating overtime
- Plans for unique situations you may encounter in your job role and how to navigate them with these new policies

**What can I expect in terms of overtime pay now that I am a non-exempt employee?**

Under the FLSA, employees must be paid time and a half for hours worked in excess of 40 in a workweek. At UNM, a workweek is defined as time worked between Saturday – Friday of each week. Alternatively, employees may elect to be compensated with compensatory (“comp”) time. The following table outlines a comparison between overtime and comp time:

<table>
<thead>
<tr>
<th></th>
<th>Overtime</th>
<th>Comp Time</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Form</strong></td>
<td>Additional pay</td>
<td>Paid time off</td>
</tr>
<tr>
<td><strong>Timing</strong></td>
<td>Paid immediately on following paycheck</td>
<td>Available for 90 days. If unused within 90 days, paid out as overtime pay.</td>
</tr>
<tr>
<td><strong>Rate</strong></td>
<td>Time and a half</td>
<td>Time and a half</td>
</tr>
<tr>
<td><strong>Approval</strong></td>
<td>Supervisors must authorize overtime before the start of overtime work</td>
<td>Requires a written agreement in advance between supervisor and employee to pay comp time in lieu of overtime</td>
</tr>
<tr>
<td><strong>Policy</strong></td>
<td>UAP 3305</td>
<td>UAP 3310</td>
</tr>
</tbody>
</table>

**How will this change my annual and sick leave accruals?**

You are entitled to the same amount of annual and sick leave per year as a non-exempt employee. However, since the pay cycle differs between positions, the rate at which you accrue leave also differs, as demonstrated below:

<table>
<thead>
<tr>
<th></th>
<th>FLSA Status</th>
<th>Accrual per Paycheck</th>
<th># of Paychecks</th>
<th>Total per year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual leave</strong></td>
<td>Exempt</td>
<td>14.00 hours</td>
<td>12</td>
<td>168 hours</td>
</tr>
<tr>
<td></td>
<td>Non-exempt</td>
<td>6.47 hours</td>
<td>26</td>
<td></td>
</tr>
<tr>
<td><strong>Sick leave</strong></td>
<td>Exempt</td>
<td>8.00 hours</td>
<td>12</td>
<td>96 hours</td>
</tr>
<tr>
<td></td>
<td>Non-exempt</td>
<td>3.70 hours</td>
<td>26</td>
<td></td>
</tr>
</tbody>
</table>

**Who can I contact if I have questions?**

Employees are encouraged to discuss these changes with their supervisors. If you and your supervisor have questions, we encourage you to [contact your HR Consultant](mailto:hrconsultant@unm.edu).