

[theme music playing]

Opening credits: Gray screen with words in black "Are you..." HReady logo flies on screen in pieces and assembles against gray background.

A blonde-haired woman host named Janice is wearing a grey jacket and dark purple sweater underneath. She is sitting in tan chair in an office. Bookcase with photos and books and a plant sit in the background. Green fern sits next to her on the left.

Janice: Hi, I'm Janice Appleby, Chief Human Resources Officer here at Vizo Financial. Welcome to HReady. Here is your HR question for today.

Gray screen with large HReady logo appears. Black words appear.

Janice: According to the new overtime regulations that will be effective January 1, 2020, the minimum salary threshold for the salary level test has been raised to: A. \$45,233, B. \$35,568, C. \$29,899, D. The minimum salary threshold did not change.

Black and pink timer counts down five seconds in the bottom right-hand corner.

Janice: The answer is B.

Screen fades to reveal Janice sitting in tan chair in an office. Bookcase with photos and books and a plant sit in the background.

Janice: After a three-year delay, the Fair Labor Standards Act overtime regulation proposed in 2016 finally received a facelift. Starting next year, the Department of Labor (or DOL's) new overtime regulation will increase the minimum salary for employees to be exempt from overtime pay to \$35,568 annually. That's a jump from the current minimum of \$23,660.

Janice: The 2016 regulation called for the minimum to be raised to \$47,476 with an automatic increase every three years. However, the newest version of the FLSA overtime regulation includes a less significant increase and will not have automatic updates built in. Instead, the DOL will need to re-examine the standards on a regular basis to ensure they effectively test for exemption.

Janice: In addition, the new regulation features a special rule for highly compensated employees to increase the minimum exemption from \$100,000 to \$107,732 annually. This applies in all states except for Pennsylvania, which doesn't recognize this exemption.

Janice: In order for an employee to be exempt from overtime pay the employer must perform three tests. One, the salary basis test to determine how the employee is paid. Two, the salary level test to determine how much the employee is paid. And three, the job duties test to see whether the employee performs specific duties that are excluded from overtime compensation.

Janice: Based on the new overtime regulation, only the salary level test will be changing. The job duties and salary basis tests will remain the same.

Janice: The new regulation will go into effect in just a couple months, which gives your HR department some time to review employees who are currently classified as exempt and determine if they need to be reclassified because they earn less than \$35,568. If you have employees who will not meet the new salary level test, then you will need to decide whether to reclassify them as nonexempt (and thereby eligible for overtime at the rate of 1.5 times their hourly rate) or increase the employee's salary to meet the new salary threshold.

Janice: As a reminder, even if the employee passes the salary level test, they must also meet certain criteria in the job duties test to qualify for exemption from the FLSA.

Janice: Overall, the regulation is projected to impact about 1.3 million U.S. workers. With that in mind, it's important to remember that employees should be informed of any changes made to their pay or exemption status. If an employee's status changes from salaried to hourly, they will need to be prepared for changes such as tracking hours worked to ensure proper payment of wages.

Janice: For more information on the rule changes, you can visit the following websites:

Background of Department of Labor website with the words in black that read:

https://www.dol.gov/whd/overtime_pay.htm and <https://www.dol.gov/whd/overtime2019/>

Janice: Before you know it, January will be here and the new overtime regulation will take effect. It's a good idea to be proactive and start looking at how your credit union employees may be impacted. And now you're HReady!

[theme music playing]

Gray screen with large HReady logo slides in. Fades to Vizo Financial logo V and a red heart and the words, "CUs" in green on gray background. The logo fades into the Vizo Financial logo. Vizo Financial logo fades out and disclaimer text appears on screen.

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