



COASTAL
HR

Quarterly Resource Newsletter

Coastal Human Resource Group, Inc.

New Exemption/Overtime Regulations Effective December 1

(Note: special rules apply for HCEs; contact Coastal HR if you have questions about this classification).

Additionally, the minimum salary requirement will be updated automatically every three years, with the first automatic adjustment going into effect on January 1, 2020. This adjustment will keep the earnings floor at the 40th percentile (for full-time salary workers in the Census region with the lowest wages) for most workers and at the 90th percentile for HCEs.

Are you fully prepared for the new exempt status/overtime regulations? As of December 1, 2016, the criteria for exempt status will change significantly. You may have white collar employees in positions that are exempt from overtime now who won't qualify for exempt status as of that date unless their wages change significantly. This means that you'll need to start paying them hourly (including overtime) and keep records of all hours worked.

What is Staying the Same?

The duties requirement and the improper deductions restriction are not changing. They will still apply after December 1.

Current Exempt Status Requirements

Currently, in order for an employee to qualify as exempt, all of the following three requirements must be met:

1. The employee must earn a minimum of \$455 per week (through November 30) paid on a salary basis.
2. The employee must work in a white collar position that meets specific duties requirements, as specified in Department of Labor Fact Sheet 17A. (https://www.dol.gov/whd/overtime/fs17a_overview.pdf).
3. The employee cannot be subject to improper deductions, as specified in DOL Fact Sheet 17G (https://www.dol.gov/whd/overtime/fs17a_overview.pdf).

These requirements apply to most employees, though there are a few exceptions, such as outside sales professionals, teachers and "highly compensated employees" (HCEs).

Ways to Comply

Employers have several options for complying with the new regulations. Examples of possible strategies include (but are not limited to):

- Increase the salary of exempt employees to at least \$913 per week to maintain qualification for exempt status.
- For positions that do not require overtime, eliminate overtime hours and divide the employee's annual salary by 2,080 to determine the hourly rate (keeping in mind overtime will be required if the employee works over 40 hours per workweek).
- For positions that do require overtime, instead of simply dividing current salary by 2,080, set a lower base hourly wage in proportion to the expected amount of overtime worked to hold total weekly pay fairly constant (keeping in mind that compensation must reflect all time worked).

Big Changes for December 1

What is Changing?

As of December 1, 2016, the minimum salary requirement will more than double, increasing from \$455 per week (\$23,660 per year) to \$913 per week (\$47,476 per year). This means that any of your exempt employees who are not making at least \$913 per week on a salary basis will have to become hourly employees, unless their wages are increased to this level.

Additional changes:

- Employers can use incentive payments (including commissions) and nondiscretionary bonuses (i.e., entitlement bonuses) to satisfy up to 10% of the minimum salary requirement. This has not been previously allowed.
- The minimum compensation for an HCE to qualify as exempt will change from \$100,000 to \$130,004.

Implications

For many employers, the new regulations represent a major change with significant consequences. December 1 will be here before you know it. Now is the best time to start developing your compliance plan.

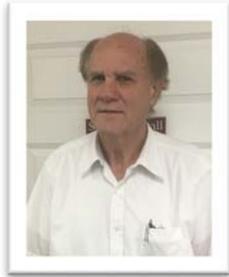
Depending on how you choose to adapt to the updates regulations, changes may include increased payroll costs and recordkeeping requirements, changing procedures for tracking employee time, adjusting work schedules and communicating with employees regarding changes in compensation or status.

For expert compliance assistance, contact your Coastal HR representative. We will be happy to provide guidance as you make decisions about the best ways to make any necessary changes to your compensation structure and/or recordkeeping requirements.

Learn More

To learn more about the new exemption/overtime regulations, see the DOL's Fact Sheet on the Final Rule, which can be found at <https://www.dol.gov/whd/overtime/final2016/overtime-factsheet.html>

Employee of the Quarter



Congratulations to **Steve Duvall**, Coastal Human Resource Group's Employee of the Quarter for 3rd Quarter 2016. Steve has been the Controller of CHRG since February 2005. He brings fun and enthusiasm to our team. He has a friendly attitude and we appreciate his willingness to help our clients and team members daily. We are excited that Steve is a part of our team and will be for many years to come!!

Congratulations Steve!!

Client Spotlight

Donaghey Orthodontics has been creating smiles for patients in their offices in Mobile and Chatom since 1984. Using the very latest in technology, including clear braces and Invisalign, Donaghey Orthodontics helps children and adults achieve the smiles they want. Their experienced team thrives to give special, individualized care to each patient.

Coastal HR is proud to provide HR support such a dedicated team. Treatment Coordinator Cindy Landrum states, "Coastal HR has helped us focus on giving patients our full attention by providing our payroll, payroll tax, and reporting needs. Changing to Coastal HR was seamless. Their service and attention to our payroll needs is as professional and personal as we try to be for our patients."

See <http://www.orthomobile.com/> for more information about Donaghey Orthodontics.



Simplified Employee Benefits Solutions

Managing employee benefits can be time-consuming and stressful – but when you work with Coastal HR, it doesn't have to be! Coastal HR can help you access the best available employee benefits solutions to help you retain your valuable team members. Our licensed benefits professionals can design a program specifically to fit your needs and take care of managing it for you.

Benefits Management

At Coastal HR, we simplify the employee benefits process for our clients by handling enrollment, tracking, reconciliation and payments. This makes it possible for you to provide your employees with an excellent benefits package without having to divert your attention away from where it needs to be – managing day-to-day operations and growing your business!

Depending on your needs, we can administer all aspects of your benefits programs. Services include payroll deductions, enrollments/terminations, reconciliations and payments for all types of benefit insurance policies. We can provide these services for policies sponsored by Coastal HR as well as other policies.

Benefit Options

Employees can purchase health, life and other supplemental insurance through Coastal HR. Our benefits specialists will coordinate a personalized benefits plan to fit the employee's personal needs at special rates through payroll deductions.

Insurance

Insurance options include:

- Medical
- Dental
- Vision Care
- Life
- Accident
- Short-Term Disability
- Long-Term Disability
- Cancer
- Hospital
-

125 Cafeteria Plan

Our Section 125 Cafeteria plan features employee-paid premiums. Features include:

- Flexible Spending Account (FSA) for medical reimbursement
- Flexible Spending Account (FSA) for child care reimbursement

401K

Our Transamerica 401(k) plan features state-of-the-art administration with over 50 mutual funds to choose from and is available at no cost to the employer.

- Website Access
- Quarterly Statements & Newsletters
- On-Site Enrollment
- Education Seminars

There is a \$35 annual fee per participant. Features include:

Personal Touch

The Coastal HR benefits team will provide outstanding customer service to your company and its employees. Your team members will receive personal service from our licensed representatives with a one-on-one meeting and additional support as needed. Contact your Coastal HR representative today to find out how we can simplify your employee benefits needs!