

To: Montgomery College Supervisors and Exempt Staff Employees

From: Krista Leitch Walker, Vice President and Chief HR Officer
Office of Human Resources and Strategic Talent Management

Subject: Changes for Hourly Exempt Staff

Date: May 25, 2021

As per earlier communications, beginning July 2021, there will be changes to overtime eligibility for current hourly exempt staff and how time is reported on electronic timesheets. These changes are important as we move toward updating and enhancing our overall compensation strategy.

Difference between non-exempt and exempt employees

Employees are generally classified as either a non-exempt employee or an exempt employee. Each classification has its own eligibility requirements, with different types of workplace benefits.

The Wage and Hour Division of the Department of Labor (DOL) enforces the Fair Labor and Standards Act (FLSA), which establishes minimum wage, overtime pay, and recordkeeping (i.e., time tracking) standards, and states that non-exempt employees are eligible for overtime pay and hourly wages. As the name implies, they are not exempt from the requirements of this law and employers must comply. This means that once a non-exempt employee works over 40 hours per week, their employer must pay them at a rate of 1.5 times the employee's hourly rate. Hourly employees are typically paid only for hours worked and are required to track all hours worked, often to a set increment of an hour, and use of accrued leave in a timesheet.

An exempt employee is not required to be paid overtime pay and is also excluded from hourly minimum wage requirements. As the name implies, these employees are also exempt from the requirements of hourly time tracking under FLSA. One of the main differences between exempt employees and non-exempt employees is that exempt employees receive fixed compensation or a salary for the work they perform, not for the specific number of hours worked, while non-exempt employees earn an hourly wage and are paid for hours worked. To confirm an employee's FLSA status, please use the following [job aide](#).

Exempt employee changes effective July 2021

Currently, certain non-Administrator, exempt staff are required to track and report their hours just like non-exempt staff. These same exempt staff are also able to report overtime hours, even though they are exempt from the FLSA overtime requirements. This does not align with guidance from the DOL and widespread HR and payroll practices among employers throughout the U.S.

Effective July 10, 2021, which is the first full pay period of FY22, exempt staff will no longer track their work on an hourly basis like non-exempt employees. Consistent with this change, salaried, exempt employees will no longer be eligible for overtime hours. If any overtime is reported, the Payroll team will manually correct the timesheets and all adjustments will be reported to the employee's supervisor and/or unit/area Administrator.

In addition, when Workday goes live in January 2022, exempt staff will no longer complete a timesheet for all hours worked, but rather will transition to "exception time reporting," which is similar to the time reporting practice that Administrators currently follow. This means that only use of accrued or other approved leave, to include annual, sick, personal, bereavement, etc., must be entered as "Time Off" requests and submitted for a supervisor to review and approve. Use of accrued leave should be reported in 2-hour increments. Hours worked and absences for less than 2-hours will not be reported in Workday.

Timeline for time tracking process changes for salaried exempt staff

Current process ending June 2021 in Banner	Changes effective July 2021 in Banner	Changes effective January 2022 in Workday
<p>Hourly exempt staff must report all hours worked and approved leave in their Banner electronic timesheet.</p> <p>Hourly exempt staff are currently eligible for straight overtime for hours worked in excess of 40 hours per week and are required to track hours worked to the nearest quarter hour.</p>	<p>Staff currently treated as hourly exempt employees will transition to salaried exempt employees.</p> <p>Salaried exempt staff are no longer eligible for overtime pay and must report no more than 40 hours worked and/or approved accrued leave each week in their Banner electronic timesheet.</p> <p>Supervisors must not approve timesheets with overtime hours for exempt staff. Payroll will remove any overtime reported in Banner timesheets and HRSTM</p>	<p>Salaried exempt staff will no longer complete a biweekly electronic timesheet in Workday.</p> <p>In addition to no longer being eligible for overtime pay, salaried exempt staff will only report exception time (i.e., use of accrued or other approved leave) in 2-hour increments via "Time Off" requests in Workday.</p>

	<p>will notify the employee's supervisor and/or unit/area Administrator.</p>	
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New guidelines for managing salaried exempt staff

Supervisors with salaried exempt staff should communicate that generally, FLSA exempt positions require a level of work and skill that does not lend itself to hourly tracking, and that exception reporting is the better practice for those professionals. One advantage of exception reporting is a greater flexibility for the employee to allocate his or her own time in order to complete tasks, projects, and deliverables in a manner commensurate with the higher-level duties required of his or her position (not autonomously set their own schedules, but better manage their own time). Finally, to the extent an exempt employee may have to occasionally work more than 40 hours in a given week, there is flexibility to make schedule adjustments within the pay period to balance that out. No one should need to frequently work more than 40 hours in a week; if that's the case, then there needs to be a conversation about time management and/or staffing needs, not overtime.

It is understandable that some projects or initiatives will require an investment of more than a standard work week on a regular or ongoing basis. To address this, effective July 2021, an assignment to an approved College initiative that will routinely require effort beyond standard hours for exempt staff will be defined as a "Special Project." A Special Project is a temporary assignment expected to accomplish a unique product, process, or service with a defined start and finish date and specific measurable objectives. As part of the overall enhancement to our compensation strategy, Special Project Pay will be the way in which managers ensure fair compensation for these additional duties. Please look for additional information about Special Project Pay in the coming weeks.

Questions and Concerns

Please feel free to contact the HRSTM [Payroll Team](#) with any questions about how non-Administrator exempt employees should complete timesheets beginning July 10. Training for time off and time tracking modules in Workday is scheduled to begin in October 2021; more information about Workday training will be shared by email and in the *Employee Matters* newsletter later in the year.

Please contact the HRSTM [Employee and Labor Relations Team](#) with any questions and/or concerns about managing your exempt employees and assisting them with a successful transition to this new time tracking method.

Thank you for your attention to this important matter.