



Implementation Options:

Employers have a range of options for responding to the updated standard salary level. For each affected employee newly entitled to overtime pay, employers may:

- increase the salary of an employee who meets the duties test to at least the new salary level to retain his or her exempt status;
- pay an overtime premium of one and a half times the employee's regular rate of pay for any overtime hours worked;
- reduce or eliminate overtime hours;
- reduce the amount of pay allocated to base salary (provided that the employee still earns at least the applicable hourly minimum wage) and add pay to account for overtime for hours worked over 40 in the workweek, to hold total weekly pay constant; or
- use some combination of these responses.

The circumstances of each affected employee will likely impact how employers respond to this Final Rule. For example, employers may be more likely to give raises to employees who regularly work overtime and earn slightly below the new standard salary level, in order to maintain their overtime-exempt status so that the employer does not have to pay the overtime premium. For employees who rarely or almost never work overtime hours, employers may simply choose to pay the overtime premium whenever necessary. The Department accounted for these (and other) possible employer responses in estimating the likely costs, benefits, and transfers of the Final Rule.

Nothing in the rule requires employers to change employees' pay to hourly from salaried, even if the employees' classification changes from exempt to overtime eligible. Employers may choose options #2-#4 above while continuing to pay newly overtime eligible employees on a salaried basis.

The effective date of this Final Rule is December 1, 2016. On that day, the new standard salary level (\$913 per week or \$47,476 per year) and HCE total compensation requirement (\$134,004 per year) will take effect. Future automatic updates to these thresholds will occur every three years, beginning on January 1, 2020.

