



EMPOWERING PLANS

163 Bay State Drive · Braintree, MA 02184 · www.phiagroup.com

The Phia Group's Response to the DOL Final Rule – 81 FR 32391

A hard day's work should lead to a fair day's pay. This is one of the most basic tenets of our economy, it is about fairness, and it is a core belief of our company. At The Phia Group, our mission is to reduce the cost of healthcare through innovative technologies, legal expertise, and focused, flexible customer service. We can only achieve this objective with the help of our employees. We believe that every employee makes a direct and valuable contribution to the strength and competitiveness of our company, and therefore to its growth and success. It is for this reason that we welcomed the new changes to the Fair Labor Standards Act ("FLSA").

On May 18, 2016, President Obama and Secretary of Labor Perez announced the Department of Labor's ("DOL") Final Rule on Defining and Delimiting the Exemptions for Executive, Administrative, Professional, Outside Sales and Computer Employees (the "Final Rule"). The Final Rule essentially modifies the FLSA's employee exemption criteria. According to the FLSA, exempt employees are those whose positions meet the FLSA exemption tests. Exempt employees pass three distinct exemption tests: (i) they are paid on a fixed salary basis; (ii) their salaries exceed the statutory threshold; and (iii) their job title and duties are of an exempt type. All exempt employees are ineligible for overtime pay.

The Final Rule more than doubles the minimum salary requirement that is needed to qualify for the executive, administrative, and professional exemptions to the FLSA's overtime and minimum wage requirements. Specifically, the Final Rule updated the salary level from its previous amount of \$455 per week (or \$23,660 per year) to \$913 per week (or \$47,476 per year) for executive, administrative, and professional employee exemptions. Employees who make less than the new salary requirements will no longer qualify for one of these exemptions, meaning they will have to be paid overtime compensation when they work more than forty (40) hours in a workweek. This minimum salary level will be adjusted every three years to track the 40th percentile of the lowest wage Census Region. These changes will take effect on December 1, 2016.

Soon after the Final Rule was announced, The Phia Group began planning a comprehensive response. Many people at The Phia Group played an important role in crafting new policies and procedures to meet the requirements of the overtime rule changes. We solicited input from our human resources department, our legal department, managers, executives, and even from our newest employees. In fact, our CEO made it a point to invite one of our newest employees to attend and to contribute to meetings on the Final Rule.

After devising an extensive action plan, we began a comprehensive review of each and every employee of the company. Once we collected all of the relevant employee data, we began the process of determining who was affected by the overtime rule changes. We took pains to ensure that every employee was correctly classified. We devised new timekeeping procedures to ensure



EMPOWERING PLANS

163 Bay State Drive · Braintree, MA 02184 · www.phiagroup.com

that we accurately tracked time worked. Then, we confronted a very important issue: employee compensation.

Some employers have and undoubtedly will respond to the overtime rule changes by converting salaried workers to hourly workers or by reducing hours and/or benefits. Rather than cutting employee hours or eliminating positions, however, The Phia Group chose a different approach. Most of our employees who were affected by the Final Rule were given a bump in salary to put them over the new salary threshold. We chose to keep these salary increases separate from our employee's normal annual compensation changes. We felt this was the best way to show our appreciation for our employees and to continue to provide a stimulating environment for everyone to learn and grow both professionally and personally.

Transparency is very important to us. To that end, we provided every employee with a summary of the Final Rule (and the full Final Rule if requested). Then, our CEO called a meeting of the entire staff to explain how The Phia Group planned to respond to the overtime rule changes. He made it a point to let every employee know that she could raise any questions or concerns directly with him.

We are proud of our swift response to the overtime rule changes. Key members of our team put in countless hours to devise new policies and procedures to not only ensure our compliance with new federal regulations, but also to reward our employees. After all, it is our employees who have enabled us to become the finest and fastest-growing cost-containment and healthcare consulting service firm in the country.

We have a team of attorneys and compliance experts that can provide consultation and advice on any compliance concerns. If you need assistance with a compliance issue, feel free to contact us at PGCReferral@phiagroup.com.