

SAMPLE PAY PRACTICE POLICY – EXEMPT EMPLOYEES

The new regulations governing “white collar” exemptions from the Fair Labor Standards Act (FLSA) are effective as of August 23, 2004. One of the provisions in the new regulations is a “safe harbor” which gives employers an opportunity to avoid loss of an employee’s exempt status arising from inadvertent improper salary deductions. The “safe harbor” is applicable only for employers who have taken certain specific steps, including the implementation and distribution of a policy for reporting and promptly correcting improper deductions.

Since the Department of Labor did not provide specific guidelines or opinion letters on what is to be included in the policy, this sample “safe harbor” policy was developed in a way that is consistent with the regulations.

Employers who use this sample as a guide for their own policy will have made a good faith effort to comply with the recommended changes.

Employers are encouraged to keep track of subsequent developments in this area to assure that the policy remains in compliance.

The sample policy is for informational purposes only and should not be used without consideration of the specific needs and related policies of the employer.

SAMPLE EXEMPT EMPLOYEE PAY PRACTICE POLICY

Policy Statement

It is our policy and practice to pay our exempt employees accurately and in accordance with all applicable state and federal laws. In the event that we make an error in the processing of the payroll of an exempt employee, we will promptly make corrections to improper deductions or incorrect amounts as soon as practicable after we become aware of it.

Employees are encouraged to review pay stubs when receiving them to make sure they are correct. Any questions as to the amount or nature of any deductions, or if an employee believes that an improper deduction was made from the paycheck, should be immediately brought to the attention of your immediate supervisor or the payroll administrator.

Scope

This policy applies to all exempt employees.

Practice

Exempt salaried employees are paid a salary each pay period regardless of hours worked and the pay is intended to be full compensation for the work completed during the covered work week(s). A salary may be changed from time to time due to a salary review, promotion, incentive program, commission or other change in job duties. However, the paychecks of exempt employees are not subject to deductions for variations in the quantity or quality of the work performed. There are certain specific deductions allowed under federal and state law.

Salary deductions for exempt employees can be made for the following reasons:

1. Full day absences for personal reasons.
2. Full day absences for sickness or disability. (Note to Employer: Do not include this statement unless there is a bona fide sickness or disability policy that provides for wage replacement benefits.)
3. Full day disciplinary suspensions for serious infractions of written policies.
4. Absences covered by the Family and Medical Leave Act (FMLA);
5. To offset amounts received as payment for jury and witness fees or military pay.
6. The first or last week of employment in the event you work less than a full week.
7. Employee contributions to benefit plans such as 401(k) or pension plan, medical, dental, life or disability insurance premiums.
8. Federal state or local taxes.
9. Garnishments directed via court order.

In a workweek in which you performed any work, we will not make deductions for any of the following reasons:

1. Partial day absences for personal reasons, sickness or disability.
2. Closure of the work facility or lack of work of less than a full week.
3. Absences for jury duty, attendance as a witness, or military leave in any week in which you have performed any work.
4. Any other deductions prohibited by state or federal law.

We are entitled to charge absences for personal reasons, sickness or disability to an employee's sick time, vacation time or other paid time off eligibility.

Questions, Complaints and Reporting Errors

Questions regarding this policy should be directed to the human resources manager or the payroll administrator.

Likewise, to register a complaint or to report an error on your paycheck, contact your immediate supervisor, the human resources manager or the payroll administrator

(PLEASE NOTE – It is recommended that you insert names, e-mail and telephone numbers of the contacts.)

If you have not received a satisfactory response within five business days after reporting the error, please immediately contact (insert names, e-mail and telephone numbers of appropriate executive).

Responsibility for Implementation

The Human Resources and Payroll Departments have the specific responsibility to investigate every error reported and to correct every error made.

No Retaliation

No employee will be retaliated against for making a good faith inquiry as to the status of deductions made from an employee's paycheck.

Compliments of:

