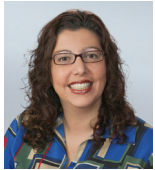


Client Alert

Business Information for
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November 23, 2016



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Federal Court Temporarily Blocks Implementation of Amendments to Overtime Rule for Employers Nationwide

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On November 22, 2016, Judge Amos L. Mazzant of the United States District Court for the Eastern District of Texas issued a nationwide preliminary injunction against the Department of Labor's ("DOL") updated white collar exemption overtime regulations (the "Final Rule"), which were to go into effect on December 1, 2016. As a result, employers nationwide are no longer required to meet this deadline, and the Final Rule will not go into effect on December 1. The Final Rule, which would have expanded overtime eligibility to an estimated 4.2 million white collar workers, would have increased the minimum salary level of exempt executive, administrative, and professional employees from \$455 per week (\$23,660 annually) to \$913 per week (\$47,476 annually). It would also, among other things, establish a mechanism pursuant to which the salary levels would automatically update every three years, with the first increase to occur on January 1, 2020.

Finding that Congress intended the white collar exemptions to depend on an employee's duties rather than his or her salary, the Court held that the Final Rule is unlawful because the DOL, through the Final Rule, "exceed[ed] its delegated authority and ignore[ed] Congress's intent by raising the minimum salary level such that it supplants the duties test." Due to the unlawfulness of the Final Rule, the Court also concluded that the DOL lacked the authority to implement the automatic updating mechanism.

Although the preliminary injunction affords employers nationwide a reprieve from the Final Rule's December 1st effective date, the fate of the Final Rule will remain unsettled until the Court ultimately rules on the validity of the Final Rule or the DOL successfully appeals to the Fifth Circuit Court of Appeals. Given this uncertainty, employers should continue to finalize their compliance plans to ensure that any necessary employee reclassifications and/or policy revisions are ready for implementation should the Final Rule later become effective.

As employees are well aware of the December 1 deadline and may be anticipating salary increases or other changes next week, we recommend that employers explain this development to their workforce. Employers should notify their employees that: (i) a federal judge has indefinitely delayed the implementation of the Department of Labor's new regulations for all employers nationwide; (ii) in compliance with this injunction, the employer is also delaying its planned compensation and reclassification changes; and (iii) the employer will update its employees as further information becomes available.

We will continue to update you as the case progresses so that you can keep your workforce well-informed and make all necessary changes in a timely manner.

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