

# SALARY DEDUCTION RULES

This company strives to maintain strict compliance with the Fair Labor Standards Act (FLSA). As a general rule, the FLSA requires employers to pay employees at least the federal minimum wage for all hours worked, and overtime pay (at the rate of 1.5 times the employee's regular rate) for all hours worked over 40 hours in a workweek. However, the FLSA provides an exemption from both minimum wage and overtime pay for individuals employed as bona fide executive, administrative, professional, and outside sales employees, as well as certain computer employees. To qualify for "exempt" status, an employee's actual job duties and salary must meet specific criteria established by the FLSA, as recently amended by the "FairPay Overtime Rules." In addition, the employee must be paid on a "Salary basis" of pay.

This policy applies to exempt employees who are compensated on a salary basis of pay. The purpose of this policy is to explain what being paid on a salary basis means, and what types of salary deductions are prohibited by company policy and by law.

## **"Salary Basis" of pay:**

Being paid on a "salary basis" means an employee regularly receives a predetermined amount for each pay period constituting all or part of the employee's compensation for work performed during that period. This amount should not fluctuate based on the company's availability or work, of the employee's quality or quantity of work performed. As a general rule, a salaried, exempt employee should receive his or her full salary for each workweek, regardless of the number of days or hours actually worked. If no work is performed in a given week, compensation is not required by law.

## **Salary Deductions:**

**It is the company's policy NOT to make any deductions from the salary of an exempt employee, except in the following circumstances:**

- Salary deductions may be made in full-day increments when an exempt employee is absent from work for one or more full days for personal reasons, other than sickness or disability.
- Salary deductions may be made in full-day increments for absences of a day or more caused by sickness or disability (including work-related accidents), only if the company maintains a plan or policy providing for salary replacement benefits for sickness or disability and the employee does not meet eligibility requirements or has exhausted his or her "bank" of leave. Salary deductions are also permissible when salary replacement benefits are being provided under state disability insurance laws or workers' compensation laws.
- Salary deductions should not be made for absences occasioned by jury duty, attendance as a witness in a judicial proceeding, or temporary military leave. However, the company may offset any amounts received by an employee as jury fees, witness fees, or military pay for a particular week against the salary due for that particular week.
- Salary deductions are generally permissible for violations of safety rules or major significance, and for unpaid disciplinary suspensions of one or more full days for infractions of established workplace conduct rules.
- Prorated deductions may be made for partial weeks of work during an employee's first or last week of employment, or pursuant to federal law when a salaried employee works a reduced or intermittent schedule pursuant to the Family and Medical Leave Act.

## **Complaint Procedures:**

If at any time you believe the company has made an improper deduction from your salary or has otherwise violated this policy of your compensation rights, you are encouraged to promptly report the matter to the company's human resources department and/or a company officer. The company takes these complaints seriously and prohibits retaliation (e.g., demotion or termination) against any employee for making a complaint about a suspected pay violation or improper salary deduction. In the event a deduction of other practice is found to be improper, the company will take appropriate measures to remedy the situation including, without limitation, reimbursing affected employees, modifying relevant pay practices and policies, and making future compliance efforts.