Calculating Overtime Using FLSA Rulesets

The Fair Labor Standards Act (FLSA) instructs employers how to calculate overtime. HRPyramid has settings to automate the calculation of overtime. Before using the FLSA Ruleset, there are some system setup issues that need to be completed.

The tasks that need to be completed are:

- Set up pay codes
- Set up FLSA Rulesets
- Update system parameters, pay codes, and pay groups
- Assign an FLSA Ruleset

This task sheet also describes how to set up FLSA Rulesets for tipped positions, and concludes with several examples of Ruleset use and the viewing of voucher earnings.

Pay Code Setup

There are three steps in the creation of a Pay Code:

1. Set up pay code information on the Pay Codes screen.
2. Set up relevant payment info and bill codes on the Standard Method and Billing Codes screens.
3. Define any additional pay code attributes on the Pay Code Processing Parameters screen.

The following examples will explain how to set up pay codes for half-time pay (*HALF*) and overtime pay (*O/T1*). For more information on each field in the three panels, see Pay Codes Field Descriptions.
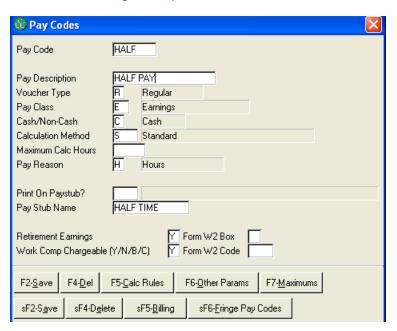
The HALF and O/T1 pay codes are required in order to follow the examples in this task sheet

Setting Up Half-Time Pay (*HALF* Pay Code)

This procedure shows you how to set up the example pay code *HALF* that will be used for calculating overtime using FLSA Rulesets.
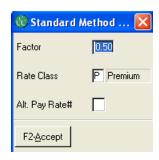
1. Select **System Administration** > **File** > **Payroll Code Files** > **Pay Codes**. The system displays the Pay Codes screen (Figure 1).

Figure 1: Pay Codes Screen - *HALF*

2. Enter the information as shown in Figure 1.

3. Click **F5 - Calc Rules**. The system displays the Standard Method screen (Figure 2).

Figure 2: Standard Method Screen

4. Set up the calculation rule with a *Factor* of **0.5** and a *Rate Class* of **P** (Premium).

5. Click **F2 - Accept** to save the calculation rule.

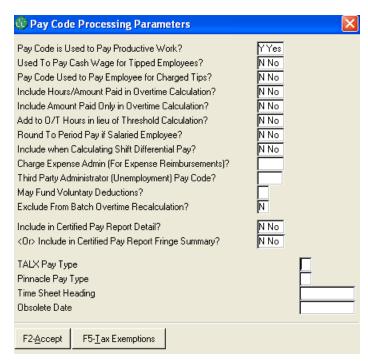6. Click **SF5 - Billing**. The system displays the Billing Codes screen (Figure 3).

Figure 3: Billing Codes Screen

7. Enter **000** (Gross Wages) in the *Bill Code* field.

8. Click **F2 - Accept** to save the billing code.

9. Click **F6 - Other Params**. The system displays the Pay Code Processing Parameters screen (Figure 4).
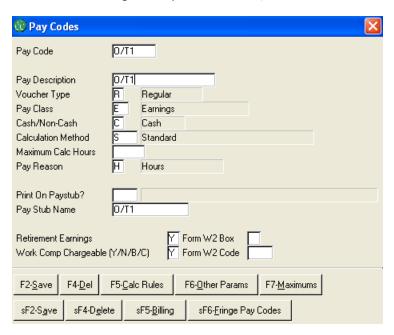
Figure 4: Pay Code Processing Parameters Screen

10. Place **Y** in the *Pay Code is Used to Pay Productive Work?* field, as shown in Figure 4.

11. Click **F2 - Accept** to save the processing parameters.

12. Click **F2 - Save** to save the pay code *HALF*.
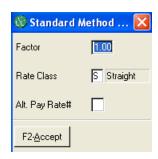
Set Up Overtime Pay (*O/T1* Pay Code)

1. To set up the overtime pay code *O/T1*, select **System Administration** > **File** > **Payroll Code Files** > **Pay Codes**. The system displays the Pay Codes screen (Figure 5).

Figure 5: Pay Codes Screen - *O/T1*

2. Enter the information as shown in Figure 5.

3. Click **F5 - Calc Rules**. The system displays the Standard Method screen (Figure 6).

Figure 6: Standard Method Screen

4. Set up the calculation rule with a *Factor* of **1.00** and a *Rate Class* of **S** (Straight).

5. Click **F2 - Accept** to save the calculation rule.

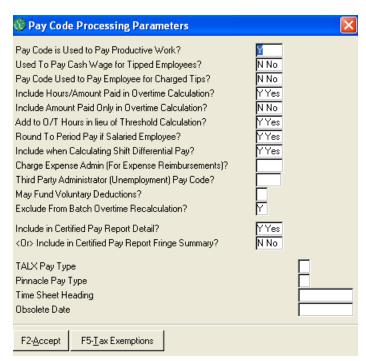6. Click **SF5 - Billing**. The system displays the Billing Codes screen (Figure 7).

Figure 7: Billing Codes Screen

7. Enter **000** (Gross Wages) in the *Bill Code* field.

8. Click **F2 - Accept** to save the billing code.

9. Click **F6 - Other Params**. The system displays the Pay Code Processing Parameters screen (Figure 8).

Figure 8: Pay Code Processing Parameters Screen

10. Place **Y** in the following fields, as shown in Figure 8

   • *Pay Code is Used to Pay Productive Work?*

   • *Include Hours/Amount Paid in Overtime Calculation?*

   • *Add to O/T Hours in lieu of Threshold Calculation?*

   • *Round to Period Pay if Salaried Employee?*

   • *Include when Calculating Shift Differential Pay?*

   • *Exclude from Batch Overtime Recalculation?*

   • *Include in Certified Pay Report Detail?*

11. Click **F2 - Accept** to save the processing parameters.

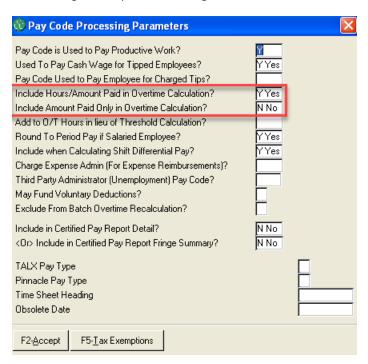12. Click **F2 - Save** to save the pay code *O/T1*.

Including Additional Pay

To instruct HRPyramid what additional pay should be included, update all pay codes that should be included in the overtime calculation, such as commissions, discretionary bonuses, and tips.

1. Select **System Administration** > **File** > **Payroll Code Files** > **Pay Codes**. The system displays the Pay Codes screen.

2. Select the Pay Code to be updated.

3. Click **F6 - Other Params**. The system displays the Pay Code Processing Parameters screen (Figure 9).

Figure 9: Pay Code Processing Parameters Screen

Explanations of the two fields circled above are:

Include Hrs/Amnt Paid in Overtime Calculation	Entering **Y** will tell the system that during initialization, the hours entered for the pay code will be included in the overtime calculation.
Include Amount Paid Only in Overtime Calculation	Entering **Y** will tell the system that during initialization, the amount entered for the pay code will be included in the overtime calculation.

Only one field may be marked for the pay code

4. Select one of the fields as described above.

5. Click **F2 - Accept** to save the processing parameters.

6. Repeat this procedure for all pay codes associated with calculating overtime with FLSA Rulesets.
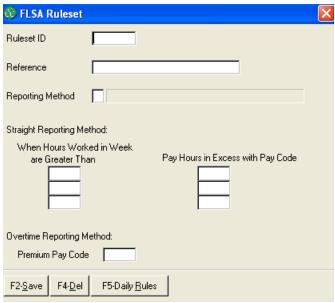
FLSA Ruleset Setup

Time Entry Options

Once the pay codes have been set up, you need to set up the FLSA Ruleset. To set up the FLSA Rulesets properly, you must use the *HALF* pay code. Perform the following steps:

1. Select **System Administration** > **File** > **Payroll Code Files** > **FLSA Rulesets**. The system displays the FLSA Ruleset screen (Figure 10).

Figure 10: FLSA Ruleset Screen

Explanations of the fields are as follows:

Ruleset ID	This is a user defined field. Enter an ID that tells users which FLSA Ruleset they are choosing (e.g. '1').
Reference	Enter a referential description for this ruleset.
Reporting Method	Enter the code for the method of reporting overtime hours. Valid entries are: **S** - Straight hours reported on one pay code. **O** - Overtime hours reported on separately.

Straight Reporting Method	*When Hours Worked in a Week are Greater Than*
	The number of hours entered here is a trigger for the overtime calculation. When the number of hours worked is greater than the number of hours entered in this field - the greater hours will calculate at the Excess pay code.
	Pay Hours in Excess with Pay Code
	Enter the pay code to be used to pay for the Excess hours worked.
Overtime Reporting Method	*Premium Pay Code*
	Enter the pay code to be used to pay premium pay. This pay code should have a factor of **0.5**.

2. Fill in the fields with the appropriate settings.

3. Click **F2 - Save** to save the FLSA ruleset.

Tipped Positions

In order to create FLSA rulesets for tipped positions, the following actions must be completed first:

• Updating System Parameters

• Updating Pay Codes
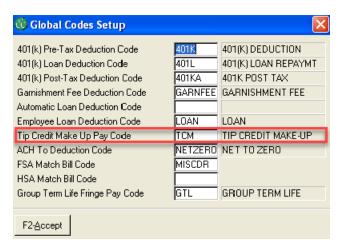
• Updating Job Codes

• Updating Pay Groups

Once these have been set up, FLSA rulesets can be assigned.

Updating System Parameters

The *Tip Credit Make Up Pay Code* field resides on the Global Codes Setup screen. To work with the tip-related field, complete the following steps:

1. Select **System Administration** > **File** > **System Code Files** > **System Parameters**. The system displays the System Parameters screen.

2. Click **F6 - Global Codes**. The system displays the Global Codes Setup screen (Figure 11).

Figure 11: Global Codes Setup Screen

The value you enter in the Tip Credit Make Up Pay Code field will be used to pay the tip credit make-up amount calculated.

3. Select the appropriate value for the *Tip Credit Make Up Pay Code* field (TCM, RTIPS).
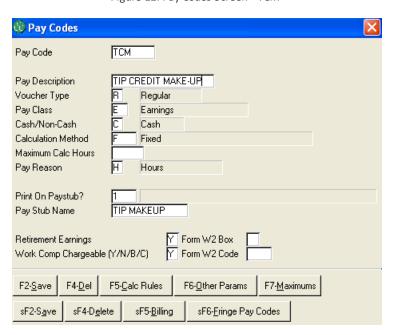4. Click **F2 - Accept**.

Updating Pay Codes

TCM Pay Code

The following pay codes must be set up when working with a payroll that includes tips:

1. Select **System Administration** > **File** > **Payroll Code Files** > **Pay Codes**. The system displays the Pay Codes screen (Figure 12).

2. Enter the information as shown in Figure 12.
3. Click **F5 - Calc Rules**. The system displays the Fixed Method Rules screen (Figure 13).

Figure 13: Fixed Method Rules Screen

4. Enter a Rate Class of **S** for Straight.
5. Click **F2 - Accept**.
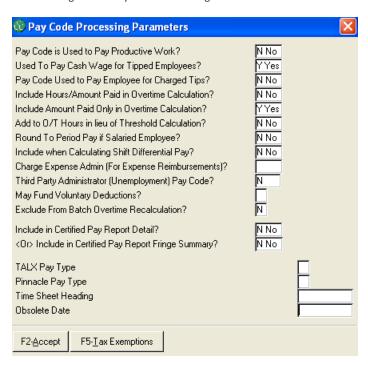6. Click **SF5 - Billing**. The system displays the Billing Codes screen (Figure 14).

Figure 14: Billing Codes Screen

7. Enter **000** (Gross Wages) in the *Bill Code* field.

8. Click **F2 - Accept**.

9. Click **F6 - Other Params**. The system displays the Pay Code Processing Parameters screen (Figure 15).
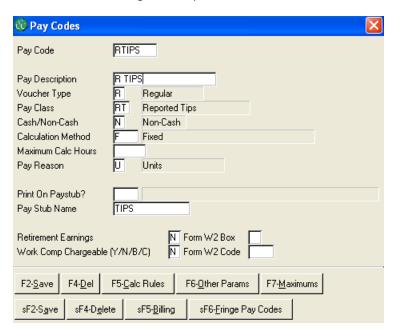
Figure 15: Pay Code Processing Parameters Screen

10. Place **Y** in the following fields, as shown in Figure 15

    • *Used to Pay Cash Wage for Tipped Employees?*

    • *Include Amount Paid Only in Overtime Calculation?*

11. Click **F2 - Accept**.

Reported Tips Pay Code

1. Select **System Administration** > **File** > **Payroll Code Files** > **Pay Codes**. The system displays the Pay Codes screen (Figure 16).
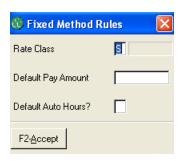
Figure 16: Pay Codes Screen

2. Enter the information as shown in Figure 16.

3. Click **F5 - Calc Rules**. The system displays the Fixed Method Rules screen (Figure 17).

Figure 17: Fixed Method Rules Screen

4. Enter a *Rate Class* of **S** for Straight.

5. Click **F2 - Accept**.

6. Click **SF5 - Billing**. The system displays the Billing Codes screen (Figure 18).
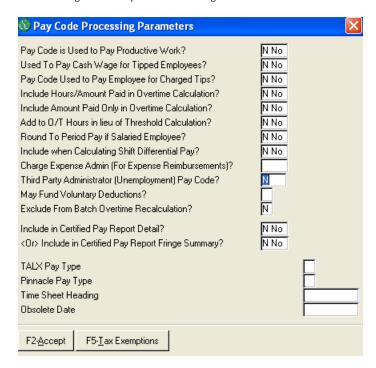
Figure 18: Billing Codes Screen

7. Enter **000** (Gross Wages) in the *Bill Code* field.

The Non-Cash Rebate BillCd field should have a rebate code of either NON-CASH or TIPCR.

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8. Enter **TIPCR** in the *Non-Cash Rebate BillCd* field.
9. Click **F2 - Accept**.
10. Click **F6 - Other Params**. The system displays the Pay Code Processing Parameters screen (Figure 19).

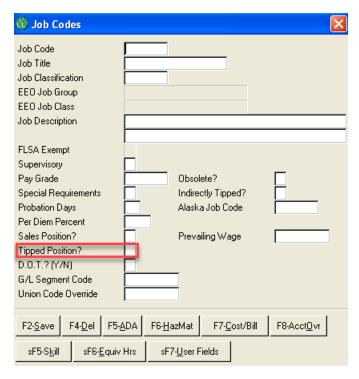Figure 19: Pay Code Processing Parameters Screen

11. Place **N** in the fields as shown in Figure 19.
12. Click **F2 - Accept**.

Updating Job Codes

You must update your job codes to define whether the job is a tipped position.

1. Select **Company Administration** > **File** > **Company Job Codes**. The system displays the Job Codes screen (Figure 20).

Figure 20: Job Codes Screen

2. Enter **Y** in the *Tipped Position* field.

3. Click **F2 - Save**.

4. Repeat this procedure for each job code that is affected.

Assigning an FLSA Ruleset

Once all system-level and job code settings have been adjusted appropriately, the Company Master Maintenance screen needs to have an FLSA Ruleset assigned.

1. Select **Company Administration** > **File** > **Company Master**. The system displays the Company Master Maintenance screen.

2. Click **SF8 - More Params**. The *SF8 - More Params* tab is displayed ([Figure 21](#)).
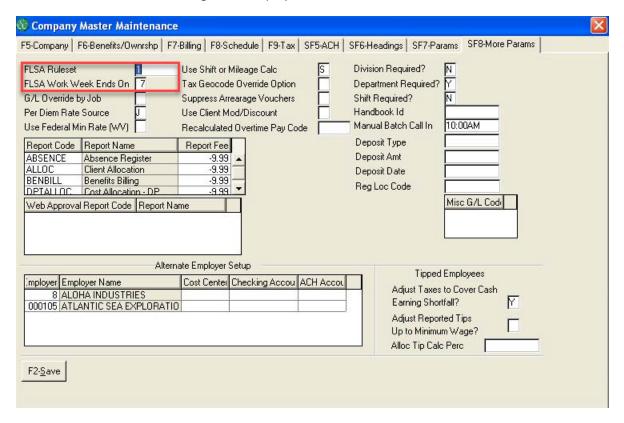
Figure 21: Company Master Maintenance Screen

You must define the FLSA Ruleset and FLSA Work Week Ends On fields, otherwise the overtime calculation logic will not work.

3. Select the appropriate *FLSA Ruleset*.

4. Enter a value in the *FLSA Work Week Ends On* field.

5. Click **F2 - Save**.

Overriding Company Master FLSA Ruleset

You can override the FLSA Ruleset of the Company Master by setting up a ruleset on the Client location.

1. Select **Company Administration** > **File** > **Company Worksite Locations** > **Other**. The system displays the Location Codes - Other Tab screen (Figure 22).
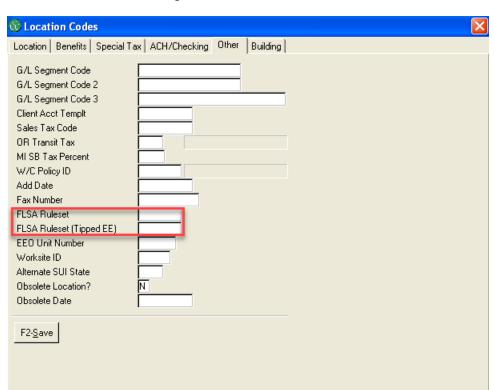
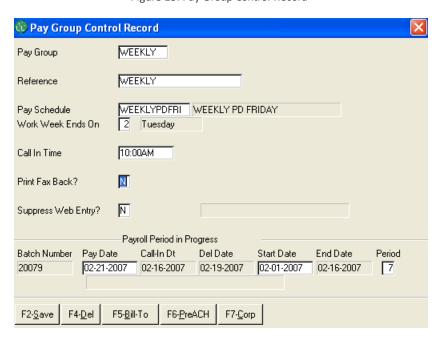Figure 22: Location Codes Screen

2. Enter the appropriate values in the following fields:

   • *FLSA Ruleset* - to be used if only this location has overtime calculated using the FLSA rules.

   • *FLSA Ruleset (Tipped EE)* - to be used if only the tipped employees at this location have time calculated using the FLSA rules.

3. Click **F2 - Save**.

Updating Pay Groups

This procedure ensures that the *Work Week Ends On* field on the Pay Group Control Record, as shown in Figure 23, must match the value in the *FLSA Work Week Ends On* field on the Company Master Maintenance screen, as shown in Figure 21. Otherwise, the system will not calculate overtime using FLSA Rulesets.

1. Select **Payroll** > **File** > **Pay Group Control Records**. The system displays the Pay Group Control Record screen (Figure 23).

Figure 23: Pay Group Control Record

2. Make sure the *Work Week Ends On* field on the Pay Group Control Record matches the value in the *FLSA Work Week Ends On* field on the Company Master Maintenance screen.

3. Click **F2 - Save**.

FLSA Ruleset Time Entry (2 Examples)

Example 1

Figure 24 shows an example of reporting all hours under one *REG* pay code and paying the premium automatically at the half time using the *HALF* pay code.

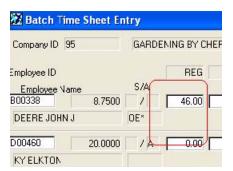Figure 24: FLSA Ruleset Screen - Time Entry Example 1

Figure 25 is an example of how hours are to be keyed using the STD Ruleset. All hours worked have to be keyed under the *REG* pay code and will be paid at $8.75. The premium half pay will be paid at $4.375 using the *HALF* pay code.

Figure 25: Batch Time Sheet Entry Screen

Example 2

Figure 10 is an example of reporting hours separately using the *REG* pay code and the *O/T1* pay code. *O/T1* pay code has a factor of **1.00** (same as *REG*). Premium will automatically pay at the half time using the *HALF* pay code.
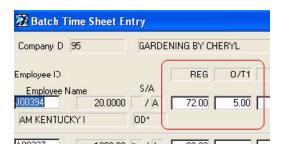
Figure 26: FLSA Ruleset Screen -Time Entry Example 2

Figure 27 is an example of how hours are to be keyed using the ROT2 Ruleset. All hours worked have to be keyed separately using the *REG* and *O/T1* pay codes and will be paid at $20.00. The premium half pay will be paid at $10.00 using the *HALF* pay code.

Figure 27: Batch Time Sheet Entry Screen

Viewing Voucher Earnings - 3 Examples

The following examples illustrate how to view voucher earnings for different overtime scenarios.

Example 1

The example in Figure 28 shows an employee working 60 hours at 2.13 and reported tips of $120.00. The tips reported are not enough to bring the rate of pay up to minimum wage, so a tip credit make up amount will be calculated.

1. Select **Payroll** > **Process** > **Batch Processing** > **Batch Time Sheet Entry** or **Super Batch Processors**.

2. Enter the *Batch ID* and press enter. The system displays the Batch Time Sheet Entry screen.

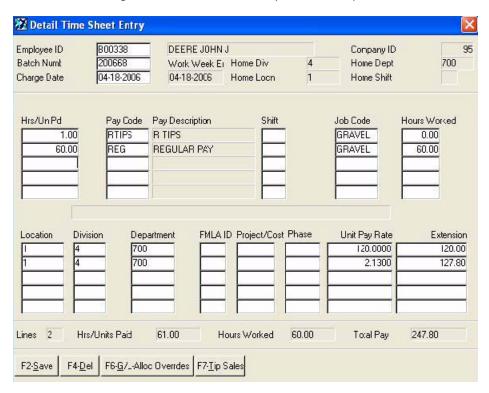3. Click **F5 - Detail Card**. The system displays the Detail Time Sheet Entry screen (Figure 28).

Figure 28: Detail Time Sheet Entry Screen - Example 1

4. After initialization, review the voucher earning detail by selecting **Payroll** > **Process** > **Batch Processing** > **Display Payroll Batch Summary**.

5. Select the employee and click **F5 Voucher Detail** > **F5 Earnings**. The system displays the Voucher Earnings Detail screen (Figure 29).

Figure 29: Voucher Earnings Detail Screen

Let's prove the calculation:

TCM (61.20 + 120.00 + 127.80)/60 = 5.15 per hour

HALF 5.15/2 = 2.575

Example 2

The example in Figure 30 shows an employee working 60 hours at 2.13 and reported tips of $600.00. The tips reported are plenty to bring the employee up to minimum wage, there will not be any tip credit make up amount calculated. The employee's overtime time rate will be calculated at half of minimum wage, since the pay code for reported tips is not marked to *Include Amount Paid Only in Overtime Calculation*.

1. Select **Payroll** > **Process** > **Batch Processing** > **Batch Time Sheet Entry** or **Super Batch Processors**.

2. Enter the *Batch ID* and press enter. The system displays the Batch Time Sheet Entry screen.

3. Click **F5 - Detail Card**. The system displays the Detail Time Sheet Entry screen (Figure 30).
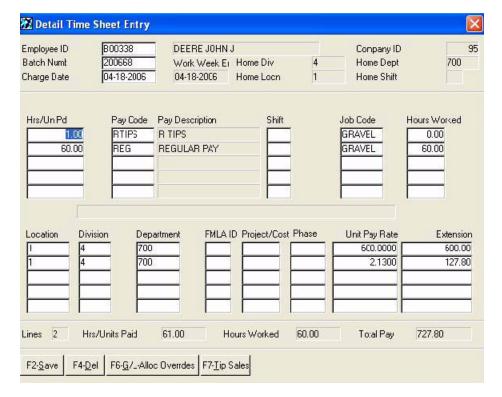
Figure 30: Detail Time Sheet Screen - Example 2

4. After initialization, review the voucher earning detail under **Payroll** > **Process** > **Batch Processing** > **Display Payroll Batch Summary**.

5. Select the employee and click **F5 Voucher Detail** then **F5 Earnings**. The system displays the Voucher Earnings Detail Screen (Figure 31).

Figure 31: Voucher Earnings Detail Screen

Let's prove the calculation:

Hourly rate of pay (600.00 + 127.80)/60 = 12.13 per hour

HALF 5.15/2 = 2.575

Example 3

The example in Figure 32 shows an employee working 60 hours at 2.13 and reported tips of $600.00. The tips reported are plenty to bring the employee up to minimum wage, there will not be any tip credit make up amount calculated.

I am going to change the setting on the pay code under **System Administration** > **File** > **Payroll Code Files** > **Pay Codes** > **F7** to "Include Amount Paid Only in Overtime Calculation." This will show how the *HALF* will now include the tipped wages into the calculation.

1. Select **Payroll** > **Process** > **Batch Processing** > **Batch Time Sheet Entry** or **Super Batch Processors**.

2. Enter the *Batch ID* and press enter. The system displays the Batch Time Sheet Entry screen.

3. Click **F5 - Detail Card**. The system displays the Detail Time Sheet Entry screen (Figure 32).
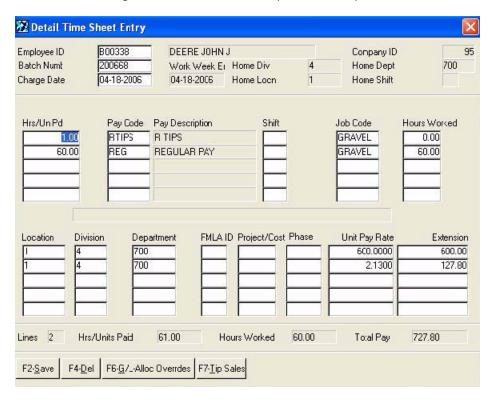
Figure 32: Detail Time Sheet Entry Screen - Example 3

4. After initialization, review the voucher earning detail under **Payroll** > **Process** > **Batch Processing Menu** > **Display Payroll Batch Summary**.

5. Select an employee and click **F5 - Voucher Detail** then **F5 - Earnings**. The system displays the Voucher Earnings Detail screen (Figure 33).
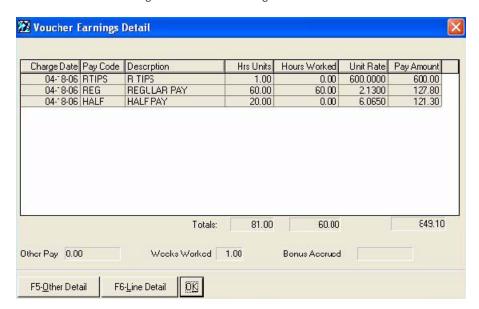
Figure 33: Voucher Earnings Detail Screen

Let's prove the calculation:

Hourly rate of pay (600.00 + 127.80)/60 = 12.13 per hour

HALF 12.13/2 = 6.065

More Information

The following link can be used to learn more about calculating overtime for tipped employees.

http://www.dol.gov/dol/topic/wages/wagestips.htm

Revision 01