

COMPLIANCE BULLETIN



How the DOL's New Overtime Rule Could Impact Employee Benefits

A recent U.S. Department of Labor (DOL) [final rule](#) increases the salary thresholds used to determine whether executive, administrative and professional (EAP) employees are exempt from overtime pay under federal law. While the increased thresholds are likely to result in a significant number of employees who were previously exempt now qualifying for overtime pay, employers must also consider how the increased thresholds may indirectly affect their benefit offerings.

Employers may need to reevaluate the following in light of the final rule:

- **How their retirement plan defines “compensation”:** If an employer’s retirement plan includes overtime pay in its definition of compensation, more employees being eligible for overtime could result in increased retirement plan contributions. In addition, the increase could affect the determination of who is highly compensated for nondiscrimination testing purposes; and
- **Whether eligibility for other benefits depends on exempt status:** If eligibility for health benefits or other fringe benefits depends on an employee’s exempt status, more workers being classified as nonexempt could result in more employees being eligible to receive these benefits.

Action Steps

In addition to evaluating existing compensation and worker classification practices to comply with the final rule, employers should carefully examine their retirement and health plan documents to determine how the rule may indirectly impact their benefit offerings.

While employers may take steps now to prepare for the final rule, they may want to wait to implement any concrete changes before it takes effect, as the final rule is expected to face legal challenges.

Key Points

Retirement Plans

Employers should review their retirement plan documents to determine how their plan defines compensation.

Other Benefits

Employers should review their plan documents to determine whether eligibility for health benefits or other fringe benefits depends on an employee’s exempt status.

Important Dates

July 1, 2024

The salary level for EAP employees will increase to \$844 per week and \$132,964 per year for highly compensated employees (HCEs).

Jan. 1, 2025

The salary level for EAP employees will increase to \$1,128 per week and \$151,164 per year for HCEs.

Provided to you by [Sullivan Benefits](#)

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