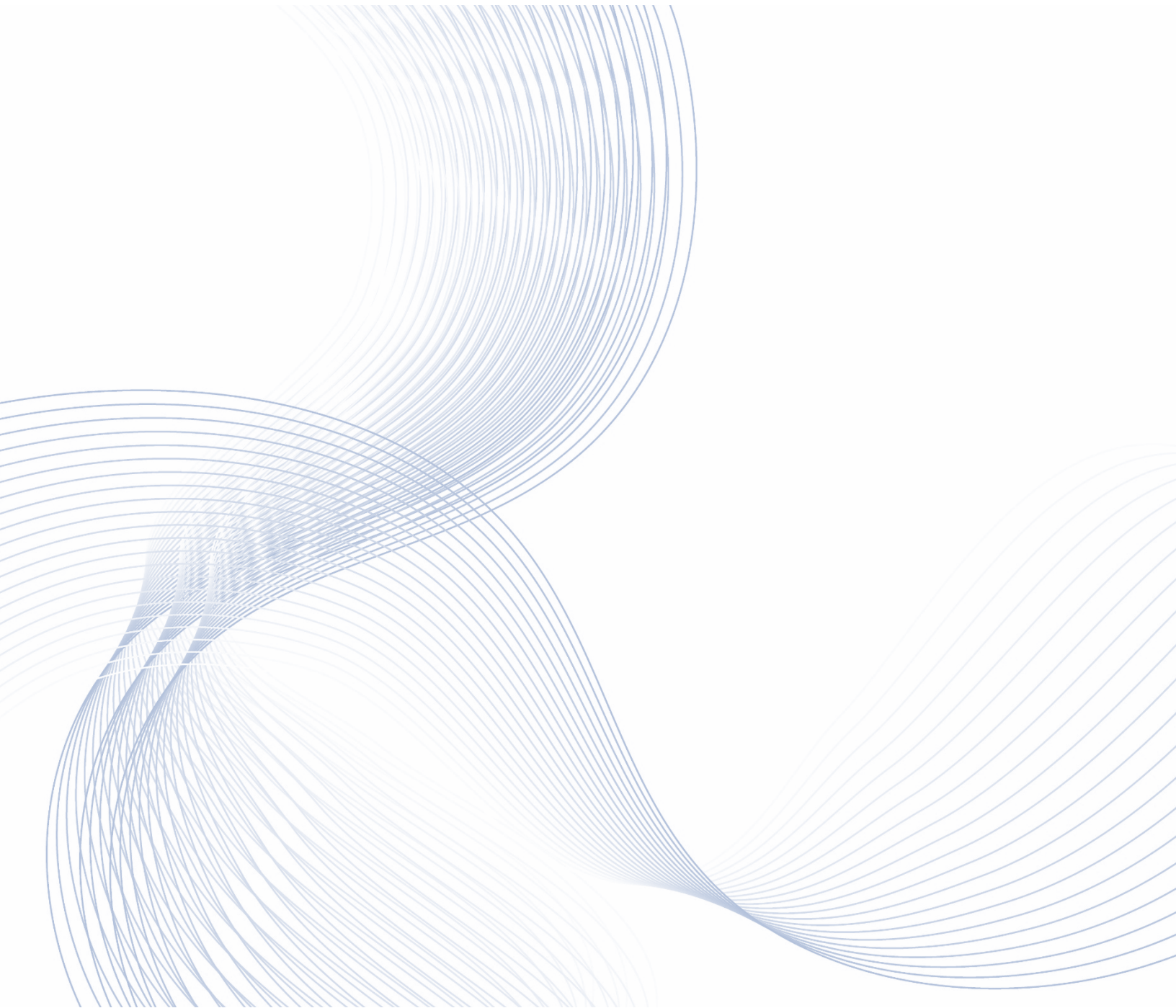


ADOA – General Accounting Office

AGENCY PAYROLL GUIDE: **PREMIUM OVERTIME CALCULATION**





PREMIUM OVERTIME CALCULATION

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Overview

The objective of this quick reference guide is to provide general information on the process of premium overtime time records in HRIS as it relates to the Agency Payroll Specialist. The guide is not intended to be all-inclusive and may not offer step-by-step instructions.

Under the Fair Labor Standards Act (FLSA), codified as Title 29, Chapter 8 of the United States Code, non-exempt employees must be paid at least 1 ½ times their regular rate of pay for all time physically worked over 40 hours in a workweek. You can view an employee’s FLSA status on the Pay Plan field on the Assignment Tab or Pay Tab of HR11.1. Non-Exempt employees are in the Pay Plan, **FLSA NON-EXEMPT-OT OVER 40HRS**. Outside Arizona employees may be enrolled in a Non-Exempt pay plan specific to their state’s overtime laws.

FLSA Non-Exempt employees who work in excess of 40 hours per workweek will receive either additional pay at the rate of 1 ½ times the employee’s regular rate or, if the employee and Agency agree, compensatory leave at the rate of 1 ½ hours for each excess hour worked, provided they have not reached the compensatory leave maximum.

FLSA also defines exceptions to the overtime in “excess of 40 hours” rule for specific jobs (i.e., fire fighters). State employees meeting the criteria are assigned to pay plans appropriate for the rule.

Agency Payroll Functions

1. Calculate premium overtime for a dismissed employee handwrite
2. Calculate premium overtime for a prior pay period recovery of overtime
3. Calculate premium overtime for an employee who switches from the Non-Exempt (NEXP) pay plan to the Exempt (EXP) or the Excluded (EXC) pay plan in the middle of a pay period

Deadlines

A.R.S. §23.351.C.3 - Overtime or exception pay shall be paid no later than sixteen days after the end of the most recent pay period.

Payroll Cycle

Payroll jobs use a 10-day cycle. Use this reference chart to determine the day of the week when Day Numbers are referred to in this guide.

Week	Monday	Tuesday	Wednesday	Thursday	Friday
Week 1 Compute	Day 1	Day 2	Day 3	Day 4	Day 5
Week 2 Off Compute	Day 6	Day 7	Day 8	Day 9	Day 10

Helpful Resources and Documents

Policies

Federal

[Fair Labor Standards Act \(FLSA\)](#)

Department of Labor: "[Overtime](#)" Regular Rate of Pay computation

Arizona Revised Statutes

Arizona Revised Statutes (A.R.S.) [§23.351](#) Designation of pay days for employees; payment; exceptions; violation; classification

SAAM

[SAAM 5515](#) Payroll and Personnel Time Reporting

Personnel Rules

[State Personnel System Rules section R2-5A-404](#)

Forms

Payroll Guide III. G.

[Premium Overtime Calculator](#)

Calculate Premium Overtime

The premium overtime calculation uses the State workweek, which begins Saturday at 12:00:00a.m. and ends Friday at 11:59:59 p.m. The system will perform the premium overtime calculation during payroll processing on compute Tuesday. The program will add all of the premium overtime pay to system generated pay code 999 for all employees eligible to receive premium overtime that are currently in the Non-Exempt pay plan. The system generated stipend pay codes pays up to 40 hours in a week; stipends on hours in excess of 40 will automatically be generated to pay code 998.

Pay Codes Included in the Premium Overtime Calculation

The HRIS Pay Code Listing has an **OT column** to indicate if the pay code is included in OT (Overtime). Only hours physically worked are included in the premium overtime calculation. Paid time off (Annual, Sick, Holiday, Comp, Civic Duty, Bereavement, etc.) is not included in the calculation for overtime but may be included in the stipend calculations that may affect overtime. [HRIS Pay Code Listing](#)

Premium Overtime Calculator

Use the **Premium Overtime Calculator** in section III.G. of the Agency Payroll Guide to calculate overtime premium due for manual entry on a handwrite or adjustment. Pay code 997 is used on handwrites or to make adjustments to pay code 999. Pay code 996 is used on handwrites or to make adjustments to pay code 998.

The Premium Overtime Calculator uses the following formula:

- $\text{Total Hours Worked}^* \times \text{Base Pay Rate} + \text{Shift Differential} + \text{Stipends} + \text{Non-discretionary Bonus} = \text{Eligible Pay}$
- $\text{Eligible Pay} \div \text{Total Hours Worked} = \text{Regular Rate of Pay}$
- $\text{Regular Rate of Pay} \times .5 = \text{Premium Overtime Rate}$

- Premium Overtime Rate × Overtime (Pay Code 101) hours worked = Premium Overtime Pay (Pay Code 999/997)

*Total Hours Worked does not include any hours associated with a paid leave of absence such as Holiday Pay, Annual Leave, Sick Leave, etc.

Premium Overtime Calculation Examples

1. Base Pay (no additional pay). Employee worked 48 hours in Week 1 and makes \$10 per hour

- Eligible Pay $48 \times \$10.00 = \480.00
- Regular Rate $\$480.00 \div 48 = \10.00
- Premium Overtime Rate $\$10.00 \times .5 = \5.00
- Premium Overtime Pay 999 $\$5.00 \times 8 = \40.00

2. Base Pay + Retention Bonus. Employee worked 48 hours in Week 1, makes \$10 per hour and receives 5% retention bonus

- Eligible Pay $(48 \times \$10.00) + (48 \times \$10 \times 5\%) = \$504.00$
- Regular Rate $\$504.00 \div 48 = \10.50
- Premium Overtime Rate $\$10.50 \times .5 = \5.25
- Premium Overtime Pay 999 $\$5.25 \times 8 = \42.00

3. Base Pay + Retention Bonus + Stipends. Employee worked 48 hours in Week 1, makes \$10 per hour, receives 5% retention bonus, a 10% geographical stipend and a \$50 per week retention stipend

- Eligible Pay $(48 \times \$10) + (48 \times \$10 \times 5\%) + (40 \times \$10 \times 10\%) + (40 \times \$1.25) + (8 \times \$10 \times 10\%) + (8 \times \$1.25) = \$612.00$
- Regular Rate $\$612.00 \div 48 = \12.75
- Premium Overtime Rate $\$12.75 \times .5 = \6.375
- Premium Overtime Pay 999 $\$6.375 \times 8 = \51.00

When do I enter premium overtime time records?

Pay code 997 is used for all manual entries of premium overtime (999).

1. Enter 997 with a negative amount for prior period recoveries
2. Enter 997 with a positive amount for prior period adjustments when the employee is currently in an ineligible pay plan
3. Enter 997 with a positive amount and offsetting negative amount to correct Labor Distribution (entries will wash)
4. Enter 997 with a positive amount on handwrites ONLY for dismissed employees

Employee transfers pay plan from Non-Exempt (NEXP) to Exempt (EXP) or Excluded (EXC) prior to compute

The system will only perform premium overtime calculations for employees who are in the **FLSA NON-EXEMPT-OT OVER 40HRS** pay plan on compute Tuesday. An employee who has changes to their pay plan (from NEXP to EXP or EXC) prior to compute Tuesday must have the premium overtime manually calculated and manually added to HRIS using pay code 997.

Prior Pay Period Premium Overtime Adjustments

Paying additional hours in previous workweeks

If the employee is still in the **NEXP** (non-exempt) pay plan, the system will calculate any additional premium overtime due to the employee based on the time records entered. The system will perform a recalculation for each workweek affected and take into consideration premium overtime that was already paid to pay code 999 or 997.

Recovering hours in a workweek with Premium Overtime










The system will not calculate the recovery of premium overtime. *You need to manually calculate the premium overtime to recover.*

1. Enter a negative Rate amount using pay code 997
2. Do not use hours with pay code 997
3. The recovery of premium overtime paid in a prior calendar year must be completed using the **GAO-70a – Overpayment Worksheet** in order to capture the various rates that were in place at the time each payment was made

Examples

1. Employee originally worked 48 hours in Week 1 and makes \$10 per hour. Employee received \$40.00 in premium overtime for the workweek:
 - Eligible Pay $48 \times \$10.00 = \480.00
 - Regular Rate $\$480.00 \div 48 = \10.00
 - Premium Overtime Rate $\$10.00 \times .5 = \5.00
 - Premium Overtime Pay 999 $\$5.00 \times 8 = \40.00
2. Employee left early one day and used 6 hours of Annual Leave. New Premium Overtime Calculation:
 - Eligible Pay $42 \times \$10.00 = \420.00
 - Regular Rate $\$420.00 \div 42 = \10.00
 - Premium Overtime Rate $\$10.00 \times .5 = \5.00
 - Premium Overtime Pay earned $\$5.00 \times 2 = \10.00
 - Premium Overtime Recovery 997 $\$10.00 - \$40.00 = -\$30.00$

3. The time record adjustment on XR35.2 would be:

Pay				
Hours	Code	Date		Rate
-8	101 	06/08/1800 		
8	300 	06/08/1800 		
	997 	06/08/1800 		-40.00 

ZR131 Retroactive Pay Calculation and Overtime

The system will calculate any premium overtime due for each week in the retro period only if the employee's current pay plan is **FLSA NON –EXEMPT-OT OVER 40HRS**. The 999 time records are added Tuesday night during payroll compute processing.

If the ZR131 is for a negative amount, the system will **not** calculate any premium overtime recovery.

You will need to manually calculate and add the premium overtime recovery using pay code 997 for each week the employee received overtime premium.

Need Assistance?

View the Central Payroll Directory [click here](#)

Why do I receive an error when entering pay code 101?

1. Check employee pay plan on HR11 – Field must be either **FLSA NON –EXEMPT-OT OVER 40HRS** or **FLSA EXEMPT-STRAIGHT TIME**.
2. Check **CASH/COMP** field on HR11 – Field must be set to CASH or EITHER to use pay code 101. Contact your Agency Human Resources if the field needs to be changed.
3. Total working hours for the week do not total at least 40 hours. Under Federal law, overtime compensation and/or compensatory time is not earned in any workweek until forty (40) hours have been worked.