

Helpful Resources and Documents:

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

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

Department of Labor: ["Overtime"](#)

GAO Technical Bulletin [12-02 Personnel, Payroll and Recording of Time Worked by Employees HRIS Pay Code Listing](#)

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

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

Deadline:

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.

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 of HR11.1. Nonexempt employees are in the Pay Plan, "FLSA NON-EXEMPT-OT OVER 40HRS".

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.

**Pay Codes Included in the Premium Overtime Calculation**

The HRIS Pay Code Listing has an "OT" column which indicates 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.

**Calculating 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 pay code listing indicates which pay codes are included in overtime calculations.

The formula is as follows:

- Total Hours Worked\* × Base Pay Rate + Shift Differential + Stipends + Non-discretionary Bonus = Eligible Pay
- Eligible Pay ÷ Total Hours Worked = Regular Rate of Pay
- Regular Rate of Pay × .5 = Premium Overtime Rate
- Premium Overtime Rate × Overtime 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.

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

stipend pay code only pays up to 40 hours and hours over 40 will automatically be generated to pay code 998. Pay code 996 is used for handwrites or adjustments to pay code 998.  
 Premium Overtime Calculation Examples:

**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  $\$5.00 \times 8 = \$40.00$

**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  $\$5.25 \times 8 = \$42.00$

**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  $\$6.375 \times 8 = \$51.00$

**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 are not earned in any workweek until forty (40) hours have been worked.

**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 what 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.

- Enter a negative rate amount using pay code 997
- Do not use hours with pay code 997
- The recovery of premium overtime paid in a prior calendar year must be completed using the GAO-73a – Overpayment Worksheet in order to capture the various rates that were in place at the time each payment was made.

Example:

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 x \$10.00 = \$480.00
- Regular Rate \$480.00 ÷ 48 = \$10.00
- Premium Overtime Rate \$10.00 x .5 = \$5.00
- Premium Overtime Pay 999 \$5.00 x 8 = \$40.00

Employee left early one day and used 6 hours of Annual Leave. New Premium Overtime Calculation:

- Eligible Pay 42 x \$10.00 = \$420.00
- Regular Rate \$420.00 ÷ 42 = \$10.00
- Premium Overtime Rate \$10.00 x .5 = \$5.00
- Premium Overtime Pay earned \$5.00 x 2 = \$10.00
- Premium Overtime Recovery 997 \$10.00 - \$40.00 = -\$30.00

The time record adjustment on XR35.2 would be:

Hours	Pay Code	Date	Rate
-6	101	01/06/1800	10.00
6	300	01/06/1800	10.00
	997	01/06/1800	-30.00

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 will be 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.

**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 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.