

POLICY TITLE: COMPENSATION AND HOURS

ORIGINAL EFFECTIVE DATE: 12/1996

REVISION DATE: 11/2014, 11/2015, 11/2018

PURPOSE

The Company adheres to all federal and state rules and regulations governing work hours and overtime payments. This policy is written in accordance with the provisions of the Fair Labor Standards Act (FLSA) and the rules of the Company in order to promote fair pay practices with regard to work hours and overtime payments. The purpose of this policy is to promote accurate and timely reporting of hours worked for non-exempt and exempt employees and to maintain the required supporting documents and records.

POLICY

I. Classifications of Employment

- A. Every employee is classified to ensure compliance with all applicable laws and regulations. The federal Fair Labor Standards Act (FLSA) requires employers compensate employees who are not exempt from the provisions of the Act for all hours worked as well as additional premium pay for hours worked in excess of 40 per week. All employees will need to keep accurate records of their time worked. FLSA employment classifications at the Company include:
 - 1. Non-Exempt: A non-exempt employee is paid on an hourly basis. A non-exempt employee, as defined by federal law, is eligible to receive additional pay for hours worked in excess of 40 hours per week.
 - 2. Exempt: An exempt employee is paid on a salary basis. An exempt employee, as defined by federal law, is not eligible to receive additional pay for hours worked in excess of 40 hours per week.

II. Employee Status

A. Regular

- 1. Full-Time Regular employees are not in a temporary status and are regularly scheduled to work the company's full-time schedule of 30 or more hours per week. Generally, these employees are eligible for full benefits, subject to the terms, conditions and limitations of each benefits program.
- 2. Part-Time Regular employees are not in a temporary status and are regularly scheduled to work less than 30 hours per week. These employees may be eligible for partial benefits, subject to the terms, conditions and limitations of each benefits program.

B. Temporary

- 1. Temporary employees are hired as interim replacements to temporarily supplement the workforce or to assist in the completion of a specific project. These employees are hired with the understanding that their employment will be terminated no later than upon completion of a specific project. Employment beyond any initially stated period does not

in any way imply a change in employment status. This category includes interns, co-op students and employees assigned to a specific project.

- i. Full time temporary employees are regularly scheduled to work 30 or more hours per week. These employees may be eligible for partial benefits, subject to the terms, conditions and limitations of each benefit program.
- ii. Part time temporary employees are regularly scheduled to work less than 30 hours per week and may be eligible for partial benefits, subject to the terms, conditions and limitations of each benefit program.

C. Variable Hour/Seasonal

1. A new employee with variable hours and/or an irregular schedule or an employee in a seasonal position, where it cannot reasonably be determined that the employee will be expected to work an average of at least thirty (30) hours or more per week. This employee will complete a measurement period to determine benefit eligibility, regular or temporary status and full or part time status.

D. Individuals from temporary employment agencies or payroll service companies are employees of their respective agency and not that of the Company. Independent contractors are essentially the Company vendors and, therefore, are not employees of the Company.

III. Standard Work Week and Hours

- A. The workweek covers seven consecutive days beginning on Saturday (12:00 a.m.) and ending on Friday (11:59 p.m.). The normal business office hours of operation are from 6:00 a.m. to 6:00 p.m. Monday through Friday.
- B. The workday is defined as the 24-hour period starting at 12:00 a.m. and ending at 11:59 p.m. A work hour is any hour of the day that is worked and should be recorded to the nearest 15 minutes. Work schedules need to be planned and scheduled to meet the needs of our customers and field staff. Daily work schedules may begin as early as 6:00 am and as late as 9:30 am but must remain consistent week to week. Each employees work hours must be approved by their manager and any revisions to those hours must be approved in advance.
- C. The standard work schedule for most full-time hourly employees is a 40-hour week consisting of five 8-hour days, however Managers may offer their hourly employees an adjusted work schedule, such as four 10-hour days. The adjusted work schedule is determined by Manager and based on customer and departmental needs, as well as the employee's position requirements.

IV. Meal Periods and Breaks

- A. The Company handles meal periods and breaks in accordance with all federal and state regulations. Generally, the meal period is 30 - 60 minutes and is unpaid, but specific meal periods may vary by department. The Company will provide reasonable breaks in each work schedule.
- B. Neither the lunch period nor the break(s) may be used to account for an employee's late arrival or early departure or to cover time off for other purposes. For example, breaks may not be accumulated to extend a meal period.
- C. The Company encourages employees to leave their work station during meal and break periods.
- D. Non-Exempt

1. An unpaid meal period of 30 to 60 minutes will be provided to non-exempt employees who work more than five hours in a day. Nonexempt employees are to be completely relieved of all job duties while on meal breaks. If a non-exempt employee is required, or chooses, to remain at his/her work station, and performs any work effort, it is considered work time and must be recorded on the employee's timecard.
 2. Non-exempt employees may take reasonable breaks within each 4 hour work period. Breaks are considered as "time worked" and is compensable. These periods are not cumulative and should not be taken at the beginning or the end of the work day.
- E. Exempt
1. Salaried employees may choose to take breaks as needed, since they are paid a weekly salary regardless of the hours they work.

V. Recording Work Hours

A. Non-Exempt Employees

1. Non-exempt employees must maintain a record of the total hours you work each day. These hours must be accurately recorded on a time card that will be provided to the employee by their Manager or Human Resources. Timecards must accurately reflect all regular and overtime hours worked, paid time away and leave of absence time. At the end of each week employees must submit their completed time card to their Manager and Human Resources for verification and approval.
2. Overtime is defined as hours worked by an hourly or non-exempt employee in excess of 40 hours in a workweek and should be recorded to the nearest 15 minutes. Overtime must be approved in advance by the manager to whom the employee reports.
3. Employees are prohibited from performing any "off-the-clock" work. Off-the-clock work means work performed but not reported on an employee's timecard. Any employee who falsifies a timecard by failing to report, or inaccurately reporting, any hours worked will be subject to disciplinary action, up to and including termination of employment.

B. Exempt Employees

1. Exempt employees must complete a weekly timecard to record all time, including regular time worked, vacation hours, sick hours, holiday hours, leave of absence time and time allocated to a job or jobs. All absences from work schedules should be appropriately recorded.

- C. All employees must turn in a timecard each week covering the hours worked for the preceding work week (Saturday through Friday). These timecards must be delivered to Payroll no later than 8:00 a.m. on the Monday morning following the work week.

VI. Overtime Pay

- A. The Company handles overtime in accordance with all federal and state regulations. Non-Exempt employees who exceed 40 hours of work time in a workweek will be paid one and one half of their regular base rate of pay.
- B. Exempt employees are not eligible for overtime pay, per the Federal FLSA.
- C. Paid time away and leave, such as vacation, sick, holiday, bereavement, voting or jury duty, does not apply toward work time and does not count as hours worked for purposes of calculating overtime.

- D. Employees who anticipate the need for overtime to complete the week's work must notify the manager in advance and obtain approval before working hours that extend beyond their normal schedule. Though prior approval is required, and all time actually worked will be compensated, any abuse of the overtime policy may subject the employee to disciplinary action up to and including termination of employment.
- E. During busy periods employees may be required to work extended hours.

VII. Payment of Wages

- A. Employees are paid on a bi-weekly basis and pay days are typically every other Wednesday.
- B. If a Company-recognized holiday falls on a Monday of a payroll week or the normal payday, paychecks will be deposited one day after the regular schedule.
- C. Employees are strongly encouraged to participate in direct deposit of funds to either a savings or checking account at the financial institution of their choice. If an account is closed that is set up for direct deposit, contact payroll immediately to set up direct deposit into a new account.
- D. Paycheck statements will be mailed to the employees address on file. The company will not release an employee's check to anyone other than the employee.
- E. In the event of a lost paycheck, Human Resources must be notified as soon as possible. A replacement check will be issued in the event the check has not been cashed. In the event the lost paycheck is recovered and the company identifies the endorsement as that of the employee, the employee must remit the amount of the replacement check to the company within 24 hours of the time it is demanded.
- F. Salary advances will not be made.

VIII. Salary Increases

- A. Salary increases may come in the form of cost of living adjustment and/or salary merit increase and are solely at the discretion of management.
- B. Human Resources and the Company President will review all salary increase/adjustment requests to ensure internal equity and compliance with company policies and guidelines.
- C. Performance Reviews
 - 1. A performance review does not always result in an automatic salary increase. The employee's overall performance and salary level relative to his/her position, responsibilities, attitude and teamwork are evaluated to determine if a salary increase would be warranted.
 - 2. Annual salary increases are designed to assist management in planning and allocating merit and promotional increases that reward individual performance, that are market competitive and that are internally equitable.
- D. Salary adjustments are occasionally requested or warranted at times other than the employee's scheduled annual salary reviews. Out-of-cycle salary increases must be preapproved by the department Manager and the Company President.
- E. Bonuses
 - 1. Bonuses are discretionary and are not guaranteed.
 - 2. Bonuses are based on company performance and financials as well as individual performance factors.
 - 3. Bonuses are determined on an annual basis and an employee must be in active status at the time of bonus payment to receive payment, if any.

IX. Travel and Reimbursement

1. Employees will be reimbursed for reasonable expenses incurred in connection with approved travel on behalf of the company.
2. Exempt employees will be paid their regular salary for weeks in which they travel. Nonexempt employees will be paid for travel time in accordance with Federal and State wage payment laws.

X. Payroll Deductions

- A. All deductions from an employee's wages will be made in accordance with applicable law and, when required, the employee's consent. Deductions may be made from an employee's wages for Social Security taxes, federal income taxes, state income taxes, and in some locations, school district taxes and/or city taxes. The company will also make deductions from the employee's check for child support, garnishment, and assignment of wages, as applicable.
- B. Employees will be notified of deductions due to court orders, such as child support or garnishments, in accordance with such orders.
- C. Deductions not taken for any pay period may be carried over to succeeding pay periods and deducted from the wages due in the succeeding pay period to the extent allowed by law.
- D. Employees are required to complete all applicable forms necessary for deductions as may be required by law; such forms include the Federal W-4. If an employee does not complete a form, e.g., the Federal W-4, deductions will be made in accordance with applicable law. If an employee's marital status changes or the number of exemptions previously claimed increases or decreases, a new federal W-4 must be submitted to Payroll.
- E. The Company complies with the salary basis requirements of the FLSA for Exempt Employees. If an employee believes that an improper deduction has been made from their salary, they should immediately report this information to Payroll. Reports of improper deductions will be promptly investigated. If it is determined that an improper deduction has occurred, the employee will be reimbursed.
- F. In the event of an overpayment of wages to an employee, the Company has the right to recover the overpayment processed in error.

XI. MN Wage and Disclosure Protection Law

- A. Under the Minnesota Wage Disclosure Protection law, you have the right to tell any person the amount of your own wages and your employer cannot retaliate against you for disclosing your own wages.
- B. Your remedies under the Wage Disclosure Protection law are to bring a civil action against your employer and/or file a complaint with the Minnesota Department of Labor and Industry at (651) 284-5070 or 1-800-342-5354.

REFERENCES

Vacation Policy

Sick Time Policy

Leaves of Absence Policy

Short Term Disability Policy

Travel and Business Expense Reimbursement Policy

Compensation and Hours Policy