**PAYROLL AND COMPENSATION POLICY**

**PURPOSE**

The purpose of this policy is to establish clear guidelines and ensure fair and consistent practices regarding employee compensation, timekeeping, pay schedules, and related matters. This policy aims to ensure that [EMPLOYER'S NAME] complies with applicable state and federal laws and regulations, protects the rights of employees, and maintains transparency in all payroll-related practices.

[EMPLOYER'S NAME] is committed to complying with all relevant federal, state (including Illinois), and local laws and regulations regarding payroll practices, including but not limited to minimum wage, overtime, and recordkeeping requirements. All payroll practices are aligned with Illinois state law and federal employment standards to ensure proper compensation and protect employee rights.

**EMPLOYEE EMPLOYMENT CATEGORIES**

[EMPLOYER'S NAME] classifies employees into different categories, based on compliance with relevant federal, state, and local regulations.

Exempt status employees

Employees in this category receive a fixed salary and are not eligible for overtime pay or minimum wage benefits. Specific rules govern salary deductions for exempt employees, which are covered in the "PAYROLL DEDUCTIONS" section of this policy.

Nonexempt status employees

Nonexempt employees are entitled to overtime compensation for hours worked beyond [40 hours in a week/8 hours in a day/[OTHER THRESHOLD]]. Overtime pay is calculated at a rate of [1.5/[OTHER NUMBER]] times the regular hourly wage, in accordance with applicable laws.

**EMPLOYMENT TYPE CLASSIFICATIONS**

In addition to exempt and nonexempt status, employees are categorized into the following types based on their work schedules and employment terms:

Full-time employees

Full-time employees are scheduled to work a standard number of hours, typically at least [40/OTHER NUMBER] hours per week, excluding approved leave.

Part-time employees

Part-time employees work fewer hours, typically less than [NUMBER] hours per week. Most part-time employees do not qualify for the full range of [EMPLOYER'S NAME] benefits.

Temporary or project-based employees

Temporary employees are hired for specific projects or time periods and may work either full-time or part-time. These employees are generally not eligible for the majority of [EMPLOYER'S NAME] benefits.

**WORK SCHEDULE AND HOURS OF OPERATION**

The workweek at [EMPLOYER'S NAME] starts on [DAY AND TIME] and ends on [DAY AND TIME]. Our regular business hours are from [TIME] to [TIME], Monday through [DAY].

Full-time employees are generally expected to work [eight/[NUMBER]] hours per day, [five/[NUMBER]] days a week, excluding designated breaks such as [meal/lunch] and rest periods. Occasionally, employees may be required to adjust their hours, including working early, late, or overtime, based on factors like workload, staffing requirements, or special assignments.

Your specific work schedule will be communicated to you by your manager or supervisor. Should you have any questions about your schedule, please consult with your manager to ensure there is no confusion.

Nonexempt employees are required to log all hours worked, including any overtime or hours worked beyond the regular schedule.

Before working any overtime, nonexempt employees must receive approval from their supervisor.

**PAYMENT SCHEDULE**

[EMPLOYER'S NAME] pays employees [weekly/every other week/twice a month/monthly] on [DAY OF THE WEEK OR MONTH], for the pay period ending on the preceding [END OF PAY PERIOD]. If a payday falls on a weekend or holiday, employees will typically receive their pay on the last business day before the weekend or holiday.

Employees who are enrolled in [direct deposit/a payroll card program] will have their earnings deposited directly into their designated account on payday. For employees who are not enrolled in direct deposit, [P/p]aychecks will either be mailed to the home address on file with the [DEPARTMENT], or employees may pick up their paycheck directly from a [DEPARTMENT] representative on payday.

If you do not receive your [direct deposit or paycheck], contact the [DEPARTMENT] immediately.

Employees are encouraged to review their paychecks and the accompanying [wage statements/paystubs] for accuracy. If you suspect an error, please notify the [DEPARTMENT] right away. [EMPLOYER'S NAME] will address any discrepancies, including underpayments or overpayments, as quickly as possible.

**PAYROLL DEDUCTIONS**

[EMPLOYER'S NAME] is required by law to make certain deductions from your pay each pay period. These mandatory deductions include:

* Federal and state income taxes.
* Social Security (FICA) taxes.
* [STATE DISABILITY INSURANCE TAXES].
* Deductions for wage garnishments, child support, and other income withholding orders or notices.
* [Deductions required by collective bargaining agreements, such as union dues].
* [OTHER REQUIRED DEDUCTIONS].

Additionally, [EMPLOYER'S NAME] may make voluntary deductions from your pay. These may include:

* Employee contributions to [health/dental/life/[TYPE OF INSURANCE]] insurance premiums.
* Voluntary contributions to [a 401(k)/retirement plan/a pension plan], [a charitable giving campaign], [transit or parking benefits], and [OTHER VOLUNTARY DEDUCTIONS].
* Repayment of wage advances and loans.
* [OTHER PERMISSIBLE DEDUCTIONS].

Deductions for nonexempt employees

For nonexempt employees, other deductions may be allowed under federal, state, or local law, such as:

* [Cost and maintenance of uniforms].
* [OTHER PERMISSIBLE DEDUCTIONS].

[EMPLOYER'S NAME] strictly limits deductions from a nonexempt employee's pay to those required or permitted by law. If deductions reduce a nonexempt employee's wages significantly, [EMPLOYER'S NAME] ensures that applicable minimum wage and overtime requirements are still met.

Deductions for exempt employees

For exempt employees, certain deductions from their salary may be allowed, unless prohibited by state [or local] law. These deductions may include:

* Full-day absences for personal reasons other than sickness or disability, such as vacation time.
* Full-day absences due to sickness or disability, as outlined in [EMPLOYER'S NAME]'s [HEALTH AND WELFARE BENEFIT POLICY OR PLAN].
* Full-day or partial-day absences taken as unpaid leave under the Family and Medical Leave Act (FMLA) [refer to [EMPLOYER'S NAME]'s [FMLA LEAVE POLICY]].
* Amounts received for jury duty, witness fees, or military pay as an offset to salary.
* Unpaid full-day disciplinary suspensions for workplace conduct infractions [refer to [EMPLOYER'S NAME]'s [WORKPLACE CONDUCT POLICY]].
* Penalties for significant safety rule violations [refer to [EMPLOYER'S NAME]'s [SAFETY POLICY]].
* A proportionate salary amount for time not worked during the first or last week of employment.

[EMPLOYER'S NAME] will not reduce an exempt employee’s salary for partial-day absences due to personal reasons, sickness, vacation, or disability (unless covered by FMLA). Deductions are also not made for scheduled workday closures or for jury duty, witness attendance, or military leave, except that any compensation received from these activities may offset the employee's salary.

[EMPLOYER'S NAME] prohibits any deductions from an exempt salaried employee's pay unless required or permitted by law.

**ALL EMPLOYEES**

[EMPLOYER'S NAME] strictly prohibits any deductions from your pay unless required or permitted by applicable law. All deductions made from your pay will be listed on your [pay stub/wage statement]. You should carefully review each pay period’s [pay stub/wage statement].

If you have any questions about the deductions or believe that an incorrect deduction has been made, you [should/must] promptly bring your concerns to your manager or the [DEPARTMENT]. [EMPLOYER'S NAME] is committed to investigating all pay-related concerns. If any improper deductions are found, [EMPLOYER'S NAME] will reimburse you as soon as possible.

**TIMEKEEPING**

To ensure [EMPLOYER'S NAME] maintains accurate and complete time records and that employees are compensated for all hours worked, nonexempt employees are required to track all work time. Employees must log their hours using [EMPLOYER'S NAME]'s [time card/time sheet/punch clock/[TIMEKEEPING APPLICATION]/[OTHER]]. Time should be recorded daily, including the start and end times of each workday and any time away from work, such as unpaid [meal/lunch] breaks, sick leave, vacation, and company holidays. Your supervisor will review your time entries and ask you to confirm them at the end of each [day/week/pay period].

Employees must [make/report] any corrections to time entries [immediately/as soon as possible] using [EMPLOYER'S NAME]'s [Time Entry Correction Form/[OTHER METHOD]].

Exempt employees are [also required to record all working time by [TIMEKEEPING METHOD]/not required to record working time].

Falsifying time entries, such as working "off the clock," is strictly prohibited. Any falsification of time records or off-the-clock work may result in disciplinary action, up to and including termination. If you are asked to falsify your time entries or work off the clock by a supervisor or manager, you [should/must] immediately report this to the [DEPARTMENT].

**MEAL/LUCH AND REST BREAKS**

[Nonexempt/All] employees [who work more than [NUMBER] hours in a workday] are required to take a [30-minute/one-hour/[OTHER]] [meal/lunch] break, scheduled at [SPECIFY TIME]/as arranged by their supervisor. Employees [may take a 15-minute break for every four hours worked/[who work more than [NUMBER] hours in a workday] must take a [NUMBER]-minute break for each [DURATION OF TIME] worked].

[Meal/lunch] breaks and rest periods are provided to give employees a chance to take time away from work. [Nonexempt] employees are prohibited from working during [meal/lunch] breaks or rest periods. Employees [must/are encouraged to] take [meal/lunch] breaks [and rest periods] away from their workstations. [Employees may use the [cafeteria/lunchroom/break room/[LOCATION]] to take their [meal/lunch] breaks [and rest periods]. Employees may [not] leave [EMPLOYER'S NAME]'s premises during [meal/lunch] breaks [or rest periods].]

[Nonexempt/All] employees must [record the start and end times of their [meal/lunch] breaks on their time sheet/clock in and out for their [meal/lunch] breaks]. [Uninterrupted] [meal/lunch] breaks are not considered work hours and are unpaid for [nonexempt] employees. [Nonexempt] [E/e]mployees [must also/are not required to] record the start and end times of rest periods. [Rest periods lasting less than 20 minutes are considered working time and must be paid for by [EMPLOYER'S NAME].]

Supervisors and managers are prohibited from instructing or encouraging [nonexempt] employees to perform work during their unpaid [meal/lunch] or rest breaks. [Nonexempt] employees [should/must] report immediately to the [DEPARTMENT] if a supervisor or manager encourages or requires work during these breaks.

If a [nonexempt] employee performs work during their [meal/lunch] break, they must [punch back in before performing the work/correct their time entries to include the time spent working during the [meal/lunch] break using [EMPLOYER'S NAME]'s [Time Entry Correction Form/[OTHER FORM]]]/notify their supervisor to adjust the time accordingly.

[Nonexempt] employees who fail to take their [meal/lunch] or rest breaks as scheduled, take unauthorized breaks, or extend their breaks beyond the permitted time may face disciplinary action, up to and including termination.

**OVERTIME WORK AND COMPENSATION**

Employees may [occasionally] be asked to work more than [[8/[NUMBER]] hours in a workday or] [40/[NUMBER]] hours in a workweek.

Nonexempt employees are entitled to overtime pay in accordance with applicable federal and state [and local] laws at a rate of [1.5/[RATE]] times their regular hourly wage for hours worked beyond [[8/[NUMBER]] hours in a single workday or] [40/[NUMBER]] hours in a workweek. Overtime pay is based solely on actual hours worked. Paid [vacation/holiday/sick leave/time off] does not count toward overtime calculations.

[Nonexempt employees must obtain prior approval from their supervisors before working overtime. Failure to do so [will/may] result in disciplinary action, up to and including termination.]

[Exempt employees are salaried and do not receive overtime pay. Their salary is intended to cover all hours worked, including any hours worked beyond [[8/[NUMBER]] hours in a workday or] [40/[NUMBER]] hours in a workweek.]

If you believe you have not been compensated correctly for all hours worked, including any overtime you believe you are owed, you [should/must] report your concerns immediately to the [DEPARTMENT]. [Supervisors and managers are prohibited from instructing or encouraging [nonexempt] employees to underreport overtime hours. If this occurs, you are required to report it to the [DEPARTMENT] immediately.]

**DISCRETIONARY BONUS ELIGIBILITY AND PAYMENT**

Employees may be considered for a bonus, which is entirely at the discretion of [EMPLOYER'S NAME]. [EMPLOYER'S NAME] holds the exclusive authority to decide whether bonuses will be granted, and if so, to establish eligibility requirements, determine the bonus amount (if applicable), and decide the timing of bonus payments (if any).

**EQUAL PAY AND NON-DISCRIMINATION**

[EMPLOYER'S NAME] strictly prohibits pay discrimination based on sex. Employees performing substantially equal work at the same location are entitled to the same pay, regardless of sex, unless pay differences are due to:

* Seniority, merit, or incentive systems.
* Factors unrelated to the employee's sex.
* This policy applies to roles requiring similar skill, effort, responsibility, and working conditions.

If you believe that you have experienced pay discrimination under this policy, you [should/must] promptly report your concerns to the [DEPARTMENT].

**PAY TRANSPARENCY AND PROTECTION AGAINST RETALIATION**

[EMPLOYER'S NAME] ensures that employees and applicants will not face discipline, termination, or any form of retaliation for:

* Inquiring about, discussing, or disclosing their own pay or the pay of others.
* Filing a complaint under this policy.
* Participating in an investigation related to this policy.

Employees with access to compensation information as part of their job functions are prohibited from disclosing pay details to individuals who do not have access, unless:

* The disclosure is in response to a formal complaint or charge.
* It is part of an investigation, proceeding, hearing, or action, including those conducted by [EMPLOYER'S NAME].
* It is in compliance with [EMPLOYER'S NAME]'s legal obligations.

If you believe you have been subjected to discrimination or retaliation under this policy, you [should/must] immediately report your concerns to the [DEPARTMENT].

**EMPLOYEE COMPLAINT PROCEDURE**

If you believe there are discrepancies with your pay, such as being overpaid or underpaid, improper deductions, misclassification for overtime eligibility, or that your compensation does not accurately reflect all hours worked (including overtime, off-the-clock work, or work during meal or rest breaks), you [should/must] report these concerns to [your manager or] [[TITLE]/[DEPARTMENT]] immediately. [EMPLOYER'S NAME] will investigate all complaints promptly and, if necessary, take corrective actions, including reimbursing any improper pay deductions.

[EMPLOYER'S NAME] strictly prohibits retaliation against any employee who files a good faith complaint under this policy. No employee will face adverse consequences such as denial of employment, promotion, or benefits, nor will they be subjected to discipline or intimidation for exercising their rights under this policy or applicable law. If you believe you have been retaliated against in violation of this policy, you should immediately report your concerns to [your manager or] [[TITLE]/[DEPARTMENT]].

**POLICY ADMINISTRATION**

The [Human Resources Department/[DEPARTMENT]] is responsible for overseeing the implementation and administration of this policy. If you have any questions or concerns regarding this policy or payroll practices not covered here, please contact the [Human Resources Department/[DEPARTMENT]].

Any employee found to be in violation of this policy may face disciplinary action, which could include termination of employment.

[EMPLOYER'S NAME] reserves the right to modify, update, or remove any provisions of this policy at any time, without prior notice.

**ACKNOWLEDGEMENT OF RECEIPT AND REVIEW**

I, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (employee name), acknowledge that on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (date), I received and reviewed a copy of [EMPLOYER'S NAME]’s [NAME OF POLICY]. I understand that it is my responsibility to familiarize myself with the policy and adhere to its terms.

I also acknowledge that this policy is not intended to create an employment contract or alter my at-will employment status, unless otherwise specified in a written agreement signed by an authorized representative of [EMPLOYER'S NAME]. Any delay or failure by [EMPLOYER'S NAME] to enforce the provisions of this policy does not constitute a waiver of its rights to enforce them in the future.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Signature

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Printed Name

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Date