

**Paid Time Off (PTO)**

**Frequently Asked Questions (FAQs)  
For Employees**

## **Section I: GENERAL INFORMATION**

### **Q1: What is PTO?**

A: Paid Time Off (PTO) is a McKesson program that allows eligible employees to earn time off, which they can use to meet their personal needs: vacation, brief illness or injury, or other personal business requiring time off of work.

### **Q2: When does the new PTO Program go into effect?**

A: The new PTO Program goes into effect January 1, 2006.

### **Q3: Why is McKesson changing from our old vacation/sick/PTO programs to this new PTO Program?**

A: Many organizations similar to McKesson have replaced traditional vacation/sick plans with PTO programs. Our new PTO Program provides employees with:

- Greater control to better manage all of their time off away from work
- A competitive time-off program that rewards employees for their continuing commitment to McKesson
- Implement an automated time management tool to track employees' PTO balances

### **Q4: How is the new PTO Program different from our old program?**

A: The new PTO Program replaces 17 different McKesson time-off programs that defined vacation and sick time for our employees. The new program doesn't distinguish between vacation time and sick time – both are considered personal time off. Depending on the number of sick days you've typically taken in the past, the new program may actually mean more time off than before.

### **Q5: What types of time off are not covered under the PTO Program?**

A: The PTO Program does not replace or change the time and attendance policies: McKesson-designated holidays, floating holidays ("personal days" in some business units), jury and civic duty, as well as military and bereavement leave.

## **Section II: ELIGIBILITY**

### **Q6: Who is eligible for PTO?**

A: All regular, full-time, and part-time employees whose scheduled workweek is 30 hours or more are eligible for PTO. International employees and union employees are not eligible. If you are a fully commissioned employee without a base salary, contact your HR representative to determine eligibility. The HR representative will notify you and your manager of your PTO eligibility status.

### **Q7: Some business units provided vacation time to part-time employees whose scheduled work week is 20 hours or more. Are these employees still eligible for PTO?**

A: In some cases, yes. In such business units, employees who work from 20 to fewer than 30 hours per week and currently receive vacation time may be "grandfathered," meaning they will be eligible for PTO in 2006. Part-time employees hired on or after January 1, 2006, or current employees whose work hours are reduced to less than 30 hours, will not be eligible.

## **Section III: PTO SCHEDULE & BALANCES**

### **Q8: How much PTO do I earn each year?**

A: Your PTO schedule is based on years of service with McKesson (see PTO schedule below).

| Years of Service | Number of PTO Days Per Calendar Year             | Number of PTO Hours Per Calendar Year             |
|------------------|--|---|
| 0                | 16 divided by the number of months you've worked | 128 divided by the number of months you've worked |
| 1 - 2            | 16   | 128   |
| 3 – 4            | 18   | 144   |
| 5 – 9            | 23   | 184   |
| 10 – 14          | 25   | 200   |
| 15 and higher    | 28   | 224   |

**Q9: Is there a difference between “earning” and “accruing” PTO?**

A: No. Both terms are used for days or hours of PTO accumulated, based on how long an employee has worked at McKesson.

**Q10: Will I lose time under this new PTO Program?**

A: Under the new PTO program, some employees will enjoy additional time off and most employees will not lose time, except those who typically take most or all of their sick days in a year.

**Q11: What if my manager and I don't agree on my PTO *legacy* balance?**

A: A manager and employee may disagree about the employee's vacation balance as of December 31, 2005, which translates into the legacy PTO balance on January 1, 2006. If this happens between you and your manager, make every reasonable effort to work with your manager to resolve the issue. If you can't agree, contact your local HR representative for assistance before April 1, 2006. **Adjustments to legacy balances cannot be made after March 31, 2006.**

**Q12: What if my manager and I don't agree on my *current* PTO earned balance?**

A: Make every reasonable effort to work with your manager to resolve the issue. If you can't agree, contact your local HR representative for assistance.

**Q13: Do some states mandate that employers allow their employees to carry over unused time off from one year into the next?**

A: Yes, California and Montana. If you work in one of these states, try to use your legacy balance even though you can't lose it. Beginning January 1, 2008, employees with total PTO balances in excess of their annual maximum PTO will stop earning additional PTO until their PTO balances fall below their annual maximums (based on years of service). The maximum PTO balance for employees in California and Montana is equal to 1.75 times your annual PTO days.

**Q14: What about vacation/PTO earned but not used by December 31, 2005?**

A: That depends on your business unit's current policy on vacation/PTO carryover.

If your business currently does not allow employees to carry over vacation/PTO from one year to the next, that policy will remain in effect. Employees in these business units cannot carry over any balance into 2006.

If your business unit currently allows employees to carry over vacation/PTO from one year to the next, you can carry over balances earned through 2005 through December 31, 2008. At that time legacy PTO balances will be lost – except in California, Montana and Pennsylvania.

**Q15: If I'm a part-time employee, do I earn the same number of PTO days per calendar year as a full-time employee?**

A: No. Part-time employees scheduled to work at least 30 hours per week (and grandfathered part-time employees scheduled to work between 20 and 30 hours per week) will earn a prorated number of PTO days based on weekly scheduled hours and years of service.

*Example:*

A full-time employee with two years of service would earn 16 PTO days per calendar year. A part-time employee who is scheduled to work 30 hours per week would earn 12 days per calendar year (30hrs / 40hrs x 16 days).

**Q16: If I become eligible for PTO mid-year, how many PTO days will I earn for the calendar year?**

A: For the first year, you will earn a prorated number of PTO days based on your years of service and the PTO schedule. After the first year you will earn the full number of PTO days per calendar year.

**Q17: When do I earn my PTO?**

A: Eligible employees earn PTO during every pay period based on years of service and their full- or part-time status. Your pay stub will show the number of PTO days you earn each pay period.

**Q18: When do I begin earning PTO under the new program?**

A: You began earning PTO under the new program on January 1, 2006.

If you become eligible for the PTO Program mid-year, you will begin receiving notice of your PTO balance with your first full paycheck.

*Example:*

John was hired on August 15, 2000 as a part-time employee with a scheduled work week of 20 hours. He is not currently eligible for PTO. If, on September 1, 2006, John's employment status changes to full-time, he would become eligible for PTO. Based on John's six years of service, John would earn 1.92 days of PTO per month (based on 23 days per calendar year). John would begin earning PTO at this rate with the first full pay period after September 1, 2006.

**Q19: When will I start to earn PTO at the next higher rate?**

A: As your length of service increases, you begin earning PTO at the next higher rate within the pay period of your "anniversary date."

*Example:*

Jane has four years of service with McKesson. On August 8, 2006 she will have five years. For the pay period ending August 11, 2006, within the pay period of her anniversary date she would accrue at the higher rate. Her monthly PTO rate would increase from 1.5 days per month to approximately 1.92 days per month.

**Q20: What happens if I do not use up my PTO balance during the calendar year? Can it be carried over to the next year?**

A: Under the new PTO Program, McKesson does not allow you to carry over your current year PTO balance to the next year except in states where carryover provisions are required by law. Any unused balances at the end of a calendar year will revert to zero. This is generally referred to as the "use it or lose it" rule.

**Q21: What is a maximum PTO balance?**

A: Under the new program, you may continue to earn PTO until you reach a maximum PTO balance. For employees in all states, except California and Montana, the maximum PTO balance equals your annual PTO days. When your PTO balance reaches your maximum PTO balance, you will not earn additional PTO until you have taken PTO days and your PTO balance is less than your maximum PTO balance.

The maximum PTO balance for employees in California and Montana is equal to 1.75 times your annual PTO days.

**Section IV: USING PTO****Q22: How will PTO time be requested and approved?**

**Exempt employees:** Beginning January 1, 2006, PTO earned, PTO used, and running PTO balances can be tracked via the online tool – Workforce Central.

You may submit PTO requests to your manager using Workforce Central.

**Nonexempt employees:** In 2006 you will request and gain manager approval of PTO the same way you currently do. Your manager then schedules and tracks your PTO using the online tool, WorkForce Central.

**Exempt employees:** Your manager must approve all scheduled PTO requests in advance. If you take unscheduled PTO, you should advise your manager as soon as possible. Managers and exempt employees can enter scheduled and unscheduled PTO in the online tool. You should comply with business unit time and attendance policies for requesting and taking time off.

**Q23: How much advance notice do I need to give to my manager?**

A: That depends on the time and attendance policies of your business unit. You should request PTO in accordance with business unit time and attendance policies. In any event, talk to your manager.

**Q24: Where can I find my PTO balance?**

A: After January 1, 2006, non-exempt employees can view their PTO balances on their pay stub. Exempt employees can view their balances on their pay stub or in the online tool in McKNet.

**Q25: Who should I contact if I have questions regarding my PTO balance?**

A: Questions regarding actual PTO earned, used, or current balances should be directed to your manager. If your manager is unable to answer the question or resolve any problem, contact your local HR representative. For general PTO questions, contact the Employee Services Center at 1-866-772-6601; and select the “HR” option.

**Q26: What happens if I would like to take more days off than my PTO balance?**

A: You can take an unpaid absence.

**Q27: Should I use PTO for doctor/dentist appointments?**

A: For nonexempt employees, who request PTO in half-hour increments, yes. They should always use PTO for these and other personal matters. Exempt employees, who must request at least a full day of PTO, may also use PTO for medical appointments or other personal matters, and with their manager's approval they may take a short amount of time away from work without using PTO.

**Q28: What happens if there is an emergency and I need to take a last-minute, unplanned PTO day?**

A: In the event of an emergency, you should take PTO in accordance with time and attendance policies at your business unit. The new PTO Program does not change these policies. Your manager will record the unscheduled absence accordingly.

**Q29: Are scheduled and unscheduled absences treated differently?**

A: Yes and no. Both scheduled PTO (for example, a vacation) and unscheduled PTO (for example, a day off for illness) use PTO balances in the same way. However, when you or your manager enters time off in the online tool, the time must be entered as either scheduled or unscheduled. The new PTO program does not change individual business unit time and attendance policies. Whether the absence is scheduled or unscheduled PTO, you must adhere to business unit time and attendance policies.

**Q30: Have any changes been made to the sick leave policy?**

A: You will no longer have separate sick and vacation days. The PTO program provides personal time off for vacation, sickness, and other personal needs. When you need to take PTO due to illness, you should do so as necessary; this time-off will be accounted for in accordance with your business unit's time and attendance policies. The PTO Program does not change any disability plans that may be available for extended medical leaves.

**Q31: Is there a minimum amount of PTO time I must take at a time?**

A: Yes. Exempt employees must request PTO in increments of at least one full day. For nonexempt employees, the minimum is 1/2 hour.

**Q32: In addition to PTO what other "time away from work" will be tracked?**

A: Time away from work other than PTO will be tracked for jury and civic duty, bereavement leave and floating holidays.

**Q33: Does PTO affect my business unit's holiday schedule?**

A: Time away from work due to a designated company holiday, floating holiday, or personal holiday does not count against your PTO.

**Q34: Have any changes been made to the floating holiday program?**

A: No. Business units' holiday programs, including floating holidays and floating personal holidays, are not affected by the PTO Program.

**Q35: What happens to "personal days"?**

A: Specific business units provide employees with both company holidays and personal days. Typically, these "personal days" are provided instead of a designated company holiday because the business unit can't function when all employees are out at the same time. Personal days are not included in the PTO program and will not be affected by the PTO program.

**Q36: Can I donate my unused PTO to another employee?**

A: No.

**Q37: Can PTO be sold for cash?**

A: No. McKesson will only pay out PTO balances when an employee leaves the company with unused PTO balance, or if an employee is no longer eligible for PTO.

**Q38: What happens to my PTO balance if I am no longer eligible for PTO because I become a part-time employee who is scheduled to work less than 30 hours per week?**

A: When you are no longer eligible for the PTO Program, the company will pay out any unused portion of your PTO balance.

**Q39: What happens to my PTO balance if I am no longer eligible for PTO because I transfer from a position that is eligible for PTO to a position that is not eligible for PTO?**

A: When you are no longer eligible for the PTO Program, the company will pay out any unused portion of your PTO balance.

**Q40: What happens to my PTO balance if I am transferred to a different business unit?**

A: A uniform PTO Program helps McKesson standardize time-off programs across the company. As long as you remain eligible for PTO, you will maintain your current PTO balance after the transfer, assuming your new work schedule supports your continued eligibility. Legacy balances will be paid out when employees transfer. (Note: For Automation employees, this transfer must be out of MPT.)

**Q41: Can I use PTO after I have decided to leave the company?**

A: If you have a PTO balance, you should have your PTO request approved prior to submitting a notice of termination. Once you have given a notice of termination to your manager, PTO cannot be scheduled during this notice period.

**Q42: What happens to my PTO balance if I leave the company?**

A: McKesson will pay out any unused portion of your PTO balance.

## **Section V: IF YOU ARE ON A LEAVE OF ABSENCE**

**Q43: Do I continue to earn PTO while on a leave of absence?**

A: If you are on a leave of absence, you will continue to earn PTO during the first 30 days of the leave.

**Q44: If I go out on family and medical leave (FMLA leave), can I use PTO to be paid?**

A: Yes. PTO can be used concurrently with FMLA leave. However, if you are on a FMLA leave because of a personal medical condition that qualifies you for Short-Term Disability, you must use PTO during the Short-Term Disability waiting period (first five working days of the leave). If you exhaust your PTO before the elimination period is complete, the remaining elimination period will be unpaid.

After 4 weeks of Short Term Disability benefit payments at 100% of your Basic Weekly Earnings (less income from other sources), your benefit will be reduced to 70% of your Basic Weekly Earnings. At this point, any accrued PTO balance you may have will automatically be used to supplement your STD benefit payments to 100% until your accrued PTO balance is exhausted. Please note that you may elect to opt out of the STD/PTO integration process.

**Q45: Is the Short Term Disability Program changing?**

A: No. However, under the current Short Term Disability (STD) program, you must wait five working days before STD benefits begin. PTO, if available, must be used for any scheduled workdays during this waiting period.

**Q46: Will PTO balances revert to zero at year's end if I am on a leave of absence?**

A: While you are on a leave of absence, the paid time off you earned before going on the leave will stay in your account unless you use it while you are on leave. If you are on leave of absence on December 31st, any accrued PTO will carry over into the next year.