

MGR Absence Policy - Manager Reference Guide

Effective December 27, 2025

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Purpose

Use this guide to explain and apply the new Absence Policy effective December 27, 2025. It defines the **Flexible Time Off (FTO)** program for salaried employees, **Paid Time Off (PTO)** for hourly employees and **Disability Salary Continuation (DSC)** which replaces the Extended Sick Leave offering. These updates are enhancements, giving employees more flexibility and greater pay protection.

As a leader, you play a critical role in setting the tone: normalize taking time off by approving reasonable requests in Workday, recognizing work-life balance as a strength, and leading by example so your team feels confident using their time away.

Overview

Program	Applies To	What's Changing	What's Staying the Same
Flexible Time Off (FTO)	Salaried employees	Employees take reasonable time off with manager approval. No carryover of days unless required by state law.	Time off requested and tracked in Workday.
Paid Time Off (PTO)	Hourly employees	New name for "My Time Off." 0-1 year employees earn time off sooner, and more than half of hourly employees will gain up to an additional five off days per year.	Same Time off requested and tracked in Workday. Same number of days off by years of service
Disability Salary Continuation (DSC)	Regular Full-Time Employees	New name for "Short-Term Disability." 100% salary continuation benefit for up to 12 weeks of approved leave of absence	Leave process remains the same

Extended Sick Leave (ESL)	All employees	Ends Dec 27, 2025. Balances frozen with no payout unless required by state law.	
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Manager FAQ

What's changing?

Starting December 27, 2025:

- Flexible Time Off (FTO) replaces vacation accruals for salaried employees, allowing them to take off when they need to
- Paid Time Off (PTO), formerly My Time Off (MTO), will continue for hourly employees, with over half of hourly employees gaining 5 additional days of paid vacation
- Disability Salary Continuation (formerly Short-Term Disability) will now pay 100% of an employee's base pay for up to 12 weeks of approved leave of absence
- Extended Sick Leave (ESL) will end on December 27, 2025

Flexible Time Off (FTO) – Salaried Employees

What is FTO?

FTO gives salaried employees the flexibility to take paid time off when needed, without accruing hours. Instead of earning a set number of days each year, employees request time as needed, with leader approval and accountability for performance and results.

Who is eligible for Flexible Time Off (FTO)?

FTO applies only to salaried, full-time, benefits-eligible employees. This includes employees regularly scheduled to work 30 hours or more per week. Hourly employees participate in the Paid Time Off (PTO) program.

If an employee moves from an hourly to a salaried position, they will transition into FTO beginning the first pay period after their effective date.

Is there a limit to how much time employees can take?

There's no strict cap, but FTO beyond 10 consecutive business days or more than 200 total hours per year will be reviewed with HR.

Can FTO be denied during peak business periods?

Yes, managers may deny or adjust timing based on business demands or coverage needs but should provide a clear explanation and help find alternative dates.

What if someone takes too much time off?

This should be addressed as a performance management issue. FTO is trust-based, and misuse should be handled through coaching and accountability.

Can employees use FTO for partial days?

Yes. Half days or partial time off can be recorded as needed, provided the leader approves and business needs are covered.

How will fairness be ensured?

Workday tracks all requests and approvals. Managers will be given quarterly reports to review and HRBPs will partner with them to ensure consistent application and identify any patterns of underuse, overuse, or bias.

How should I refocus the way I view time off with this new emphasis on flexibility and accountability?

With Flexible Time Off (FTO), the way we think about taking time away needs to evolve. Time off is no longer something you earn or bank — it's an intentional tool to sustain performance, creativity, and well-being. The emphasis is on trust and accountability: employees are trusted to manage their time responsibly, and managers are accountable for supporting balance while ensuring business needs are met.

Managers should evaluate requests based on outcomes and coverage, not on how much time someone has accrued. The focus shifts from counting days to maintaining performance continuity. When time off is planned thoughtfully, it benefits both the individual and the team — helping prevent burnout and enabling people to bring their best energy to work.

Consistency matters. Managers must apply FTO guidelines consistently and fairly, partnering with HR when needed. Approvals and denials should be based on business priorities, not personal bias. Clear communication and alignment protect both employees and leaders, ensuring fairness and reinforcing trust across the organization.

How can I encourage my team to take time off?

With Flexible Time Off, employees rely on your leadership cues to understand what's "reasonable." As a manager, you set the tone by modeling healthy behavior and normalizing rest as part of performance and engagement. Talk openly about the importance of recharging, share when you're taking time off, and remind your team that using FTO is encouraged.

Encourage your team to plan and take meaningful breaks after high-demand periods, such as major projects, seasonal peaks, large events, or year-end deadlines. Those moments often create mental fatigue and burnout if not balanced with rest.

How should managers review and approve FTO?

Review and approve requests in Workday based on business needs and team coverage. Encourage employees to plan ahead (ideally requesting off 10+ days in advance). Be transparent when you must deny or adjust timing due to workload.

How does FTO interact with holidays?

FTO is separate from all company-designated paid holidays and floating holidays. Company holidays are automatically paid and do not count as FTO.

How should I handle overlapping FTO requests from multiple employees?

When multiple employees request the same time off, managers should balance fairness with business needs, ensuring adequate coverage. Communicate decisions quickly and encourage employees to plan ahead and coordinate time off to avoid future conflicts.

Paid Time Off (PTO) – Hourly Employees

What is Paid Time Off (PTO)?

PTO is the paid time off program for hourly employees the time off program (previously known as My Time Off). It combines vacation, personal, and sick time into a single time off bank that accrues each pay period.

What's changing under the new name?

The plan now allows employees to earn more time off faster and provides most employees with an increase in their annual balance. Employees who are new to the company earn time off sooner. More than half of our hourly employees will gain up to an additional five extra days off per year.

Years of Service	PTO Hours Per Year
0-4 Years	120 hours (15 days)
5-9 Years	160 hours (20 days)
10+ Years	200 hours (25 days)

How does PTO differ from FTO?

PTO is accrual-based (employees must earn time off), and FTO is non-accrual, which is based on trust and performance. Both are paid time off programs designed to support flexibility and work-life balance.

Can employees carry over unused PTO time?

No, there is no carryover, except in states where the law requires carryover or payout of unused days.

Can hourly employees use PTO for partial-day absences (like doctor's visits)?

Yes. Employees can use PTO for full or partial-day absences, as they do today.

What if an employee calls in sick but has no PTO left?

This should be recorded as unpaid unless covered under state Paid Sick Leave laws. Managers should notify HR if patterns of absence occur.

What happens if an employee moves from hourly to salaried (or vice versa)?

Balances automatically adjust:

- Hourly → Salaried: PTO accrual stops, and the employee moves into FTO.

- Salaried → Hourly: The employee begins accruing PTO under the appropriate tier starting the first pay period after their change.

What should I communicate to hourly employees about PTO?

Reinforce that the program is simpler and more generous. Most hourly employees will gain five additional paid days off, and they should use their time to recharge and not let it go unused.

Disability Salary Continuation (Formerly Short-Term Disability)

What is Disability Salary Continuation?

Disability Salary Continuation provides 100% of an employee's base pay for up to 12 weeks when they cannot work due to an approved medical condition. It replaces the old Short-Term Disability program.

Why did we make this change?

To provide stronger financial protection and simplify the leave process. Under the old Short-Term Disability program, employees could only receive 60% pay for up to 40 days. Under the new program, they receive 100% pay for up to 90 days.

What are the highlights of the program?

- Covers 100% of your base pay or draw for up to 12 weeks.
- No waiting period – pay begins immediately upon completing 12 months of continuous employment.
- Runs concurrently with FMLA (doesn't extend total leave time).
- Applies automatically for those eligible; there is no enrollment.

Who is eligible?

All full-time employees who meet standard service requirements. There's no need to enroll or submit additional paperwork.

Do employees need to use FTO or PTO during Disability Salary Continuation?

No. Employees receive full pay under this program during approved leave of absence.

What if the employee's leave of absence extends beyond 12 weeks?

The Leaves Team will review next steps under applicable laws (FMLA, ADA, or unpaid leave options).

How does Disability Salary Continuation (DSC) interact with parental bonding leave?

Parental Leave covers the medical recovery portion of maternity leave. Once recovery ends, DSC begins (four weeks at 100% pay). These programs are designed to work together seamlessly. All four weeks of paid parental leave must be taken within 12 months of the child's birth or placement for adoption or foster and in one continuous block of time.

Birth mothers will be entitled to 2 additional weeks of continuous recovery time and bonding for supplemental pay under this same policy in addition to any paid benefit available under any applicable DSC pay or other paid medical recovery leave.

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Parental leave is paid first and then DSC kicks in.

So an employee who gives birth will have 2 weeks of recovery leave, 4 weeks of bonding leave along with DSC (medical recovery) depending on their individual medical certification needs. Totalling 12 weeks of maternity leave. PL and DSC run concurrently with FMLA, so a birthing parent can receive up to 12 weeks of pay at 100%. This will not exceed 12 weeks of leave or pay. Since both policies provide 100% pay, we do not differentiate based on the birthing parent's delivery type.

What if an employee wants to extend their maternity leave with FTO after the DSC and parental leave?

Paid time off isn't designed to extend leave of absences. However, once the medical recovery and paid parental leave have ended, an employee may request additional time off using FTO, subject to manager approval and business needs.

Managers should consider factors such as workload, coverage, and overall performance when reviewing the request. While there's no guarantee of approval, leaders are encouraged to review each situation fairly and consult HR if additional unpaid leave or job protection laws (such as FMLA or ADA) may apply.

How does Disability Salary Continuation interact with FMLA?

They run concurrently. The time off under Disability Salary Continuation also counts toward the 12 weeks of FMLA protection.

What is my role as a manager during Disability Salary Continuation?

- Support your employee. Show empathy and maintain communication.
- Plan coverage. Coordinate responsibilities within your team during the leave.
- Respect privacy. Never ask for medical details — HR manages that process.
- Stay connected. Check in periodically on logistics and reintegration timing (as appropriate and guided by HR).

Who should I contact for questions?

Reach out to your HR Business Partner or call the People Service Center. For medical or leave-related questions, contact the Leaves Team directly.

Manager Talking Points

- Beginning December 27, 2025, Varsity Brands is simplifying how we manage paid time away from work.
- While the programs differ slightly for salaried and hourly employees, the overall goal is the same: elevating employee wellbeing through how we take time away to rest and recharge

Salaried Employees – Flexible Time Off (FTO)

- Salaried employees will move to **Flexible Time Off**, or **FTO**, which replaces the old accrual-based vacation system.

- Instead of earning a set number of hours, you can take reasonable paid time off when you need it, with leader approval.
- FTO is built on trust, accountability, and balance — it gives you flexibility while ensuring we continue to meet our responsibilities as a team.
- Here's what to remember:
 - All requests and approvals still happen in Workday — the process hasn't changed.
 - This is not "unlimited vacation"; it's flexibility with accountability.
 - While FTO provides flexibility, extended absences (10+ consecutive business days) or unusually high total time away (more than approximately 200 hours in a year) may be reviewed by HR to ensure coverage, fairness, and performance alignment.
 - Managers should also monitor patterns of frequent or recurring absences (e.g., consistent days off each week) that could impact business needs, team dynamics, or individual accountability."
 - HR will review usage quarterly to ensure fairness and that people are taking time away.
 - FTO is not accrued, so there's no carryover or payout if no time off is taken.
 - Disability Salary Continuation (DSC) replaces Short-Term Disability, providing 100% full pay for up to 12 weeks for eligible leave of absences.
 - With the new DSC, Extended Sick Leave (ESL) ends December 27, 2025; existing balances will be frozen
- As your manager, I want you to take the time you need to recharge. We'll continue to plan time off around business needs just like we do today — but the focus is on making the process more straightforward and more flexible for you.

Hourly Employees – Paid Time Off (PTO)

- For hourly employees, the program name changes from My Time Off (MTO) to Paid Time Off (PTO).
- The structure has been streamlined, and many employees will earn additional paid days each year.
- Here's what to keep in mind:
 - PTO continues to accrue automatically in Workday — no change to how you request time off.
 - Accrual rates are simplified and improved for many hourly employees.
 - There is no carryover, except in states where law requires carryover or pay out of unused days.
 - Disability Salary Continuation (DSC) replaces Short-Term Disability, providing 100% full pay for up to 12 weeks for eligible leave of absences.
 - With the new DSC, Extended Sick Leave (ESL) ends December 27, 2025; existing balances will be frozen
- You'll continue to earn and use time off the same way you do now — the only real difference is the program name and a simpler structure behind the scenes.

Everyone – Disability Salary Continuation (DSC)

- Short-Term Disability will now be called Disability Salary Continuation.
- This is great news! All eligible team members now receive full pay for up to 12 weeks during an approved leave of absence.
- DSC is a company-paid salary continuation benefit designed to protect your income while you recover
- There's no re-enrollment or new paperwork needed.
- These updates make our time-off programs simpler, more consistent, and easier to manage.
- Whether you're using FTO or PTO, the goal is the same — flexibility, fairness, and wellbeing.
- I'm here to support you in using your time off responsibly and making sure you have the space to rest, recover, and come back ready to do your best work.
- If you have specific questions, please reach out to the People Service Center for their help.

Help & Support

Topic	Contact
Paid time away usage or approval guidance	HR Business Partner
Leave or DSC questions	Email : people@varsitybrands.com Call: 800-230-0055.
System/time entry issues	Workday Help ticket
Reference materials	Varsity Central

Manager Do's and Don'ts

Do

Approve FTO and PTO requests fairly, balancing business needs with employee well-being.

Ensure all time off — including partial days — is recorded and approved in Workday.

Remind employees that Disability Salary Continuation (DSC) provides 100% pay for up to 12 weeks of approved leave of absence.

Encourage employees to take time off regularly to rest and recharge.

Don't

Describe FTO as “unlimited time off.” It is flexible, not unrestricted.

Allow unrecorded, unapproved, or informal absences.

Refer to the removal of the Extended Sick Leave (ESL) program as a loss — it has been replaced with a stronger benefit.

Discourage or penalize reasonable FTO or PTO use.

Communicate time-off expectations clearly and plan ahead for coverage.

Review Workday reports regularly to monitor FTO and PTO usage for balance and consistency.

Coordinate with HR or the People Service Center (PSC) for questions about policy application or complex leave situations.

Support employees on leave by maintaining communication, privacy, and trust.

Reinforce that holidays, well-being days, and incentive days are separate from FTO and PTO.

Lead by example — model healthy time-off behavior and normalize taking leave.

Approve overlapping requests without considering coverage or fairness.

Ignore patterns of underuse, overuse, or inconsistent approvals.

Make case-by-case exceptions or policy interpretations without HR guidance.

Request medical details or documentation directly from employees — all medical information must go through the Leaves Team.

Count holidays or well-being days as part of FTO or PTO usage.

Create a culture where employees feel guilty or hesitant to take time off.

