



# Steering through Paid Sick Leave Administration at Tesla

Prepared by Aon National Absence Management Practice  
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# Steering Through Paid Sick Leave

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- **Tesla Motors**



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- **Overview of Paid Sick Leave**



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- **Paid Sick Leave Design**



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A competitive, growing organization requires:

Tesla Motors delivers extraordinary customer experience through innovation and dedication to service

**Employees focused and available**

**Policies and administration that minimize friction**



| Target Area                      | Description                                                                                                                                                                                                                             |
|----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Employee Demographics</b>     | <ul style="list-style-type: none"> <li>▪ Approx. 10,000 employees</li> <li>▪ Average age 35.7 years</li> <li>▪ 15.9% female</li> <li>▪ Interns, part-time employees</li> <li>▪ Manufacturing, Corporate, Sales &amp; Service</li> </ul> |
| <b>Geographic Considerations</b> | <ul style="list-style-type: none"> <li>▪ Large CA-based employee population</li> <li>▪ Expanding nationally</li> </ul>                                                                                                                  |
| <b>Industry</b>                  | <ul style="list-style-type: none"> <li>▪ High tech</li> <li>▪ Manufacturing</li> </ul>                                                                                                                                                  |
| <b>Culture</b>                   | <ul style="list-style-type: none"> <li>▪ Service excellence</li> <li>▪ Innovation</li> <li>▪ Provide competitive benefits</li> </ul>                                                                                                    |
| <b>Business Drivers</b>          | <ul style="list-style-type: none"> <li>▪ Recruit and retain talent</li> <li>▪ Manage and support growth</li> <li>▪ Cost and risk management</li> </ul>                                                                                  |

# Tesla—The “Before” Story

A competitive, growing organization needs to know:

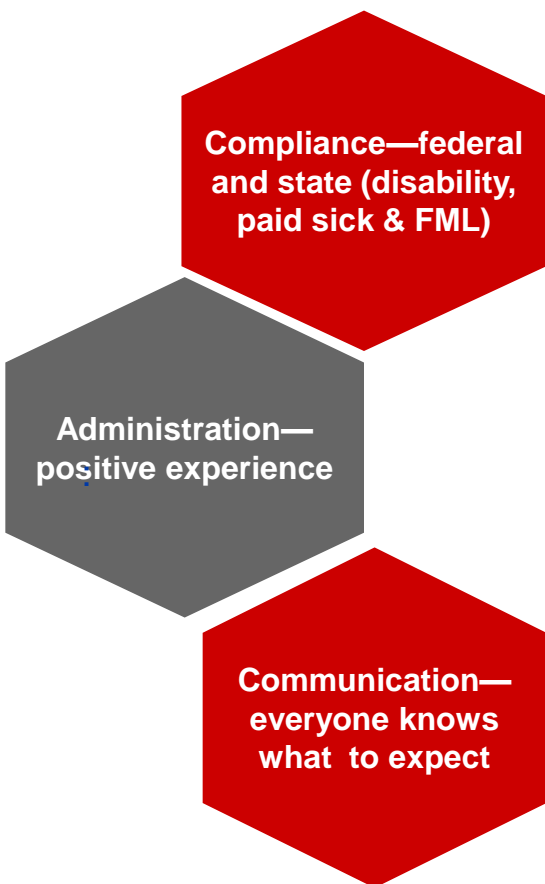


| Objectives                   | Experience                                                                                                                                                                                                                      |
|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Employee Satisfaction</b> | <ul style="list-style-type: none"> <li>▪ Confusion regarding benefits and process</li> <li>▪ Confusion regarding paid &amp; unpaid maternity related leaves</li> <li>▪ Delay and/or inaccuracies in pay coordination</li> </ul> |
| <b>Ease of Use</b>           | <ul style="list-style-type: none"> <li>▪ Poor employee experience regarding coordination between CA SDI and client’s STD benefit</li> </ul>                                                                                     |
| <b>Employer of Choice</b>    | <ul style="list-style-type: none"> <li>▪ Maternity and paternity benefits lagged behind market peers</li> </ul>                                                                                                                 |
| <b>Administrative Ease</b>   | <ul style="list-style-type: none"> <li>▪ Manual processes needed to ensure payment accuracy</li> <li>▪ Early RTW coordination not supported</li> <li>▪ Ownership for RTW was unclear</li> </ul>                                 |
| <b>Compliance</b>            | <ul style="list-style-type: none"> <li>▪ 7/1/15 California HW&amp;HF sick law</li> <li>▪ Complexity of multiple CA regulations</li> </ul>                                                                                       |
| <b>Cost/Financial Risk</b>   | <ul style="list-style-type: none"> <li>▪ An appetite to assume greater risk</li> </ul>                                                                                                                                          |



# Action Plan—Taking Control

Goals for a competitive, growing organization:

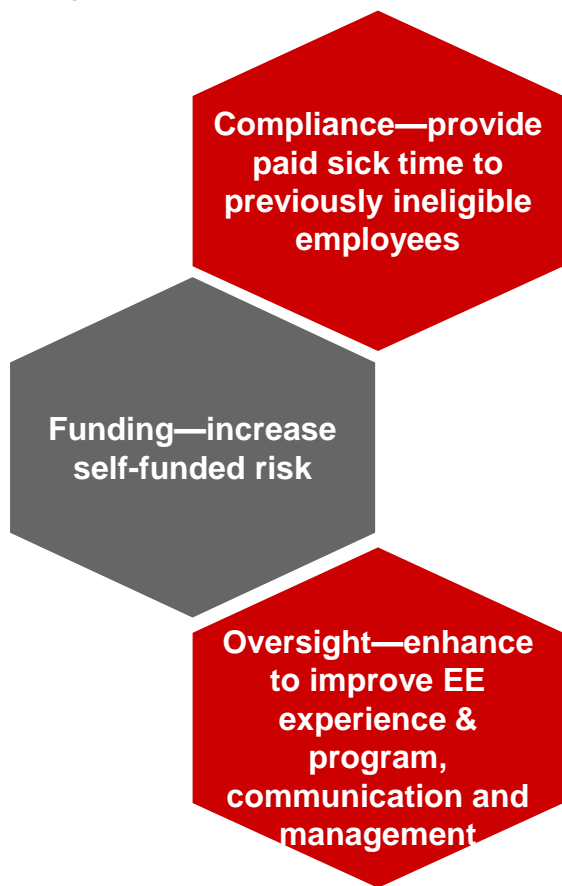


| Objectives                   | Experience                                                                                                                                                                                                                |
|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Employee Satisfaction</b> | <ul style="list-style-type: none"> <li>▪ Single point of contact—CA SDI, STD &amp; FML</li> <li>▪ Telephonic Q&amp;A—with/without a leave event</li> </ul>                                                                |
| <b>Ease of Use</b>           | <ul style="list-style-type: none"> <li>▪ VDI and STD—same report and administration</li> </ul>                                                                                                                            |
| <b>Employer of Choice</b>    | <ul style="list-style-type: none"> <li>▪ Maternity disability benefit 100%</li> <li>▪ Paid parental leave</li> <li>▪ Enhanced VDI benefit</li> </ul>                                                                      |
| <b>Administrative Ease</b>   | <ul style="list-style-type: none"> <li>▪ RFP to select a vendor partner</li> <li>▪ Partner align culturally—innovative, consultative, &amp; employee focus</li> <li>▪ Specific and personalized communications</li> </ul> |
| <b>Compliance</b>            | <ul style="list-style-type: none"> <li>▪ Provide sick days for employees not eligible to participate in PTO plan</li> </ul>                                                                                               |
| <b>Cost/Financial Risk</b>   | <ul style="list-style-type: none"> <li>▪ Self-fund the STD and VDI plans</li> <li>▪ Increase the STD maximum duration from 13 weeks to 26 weeks</li> </ul>                                                                |



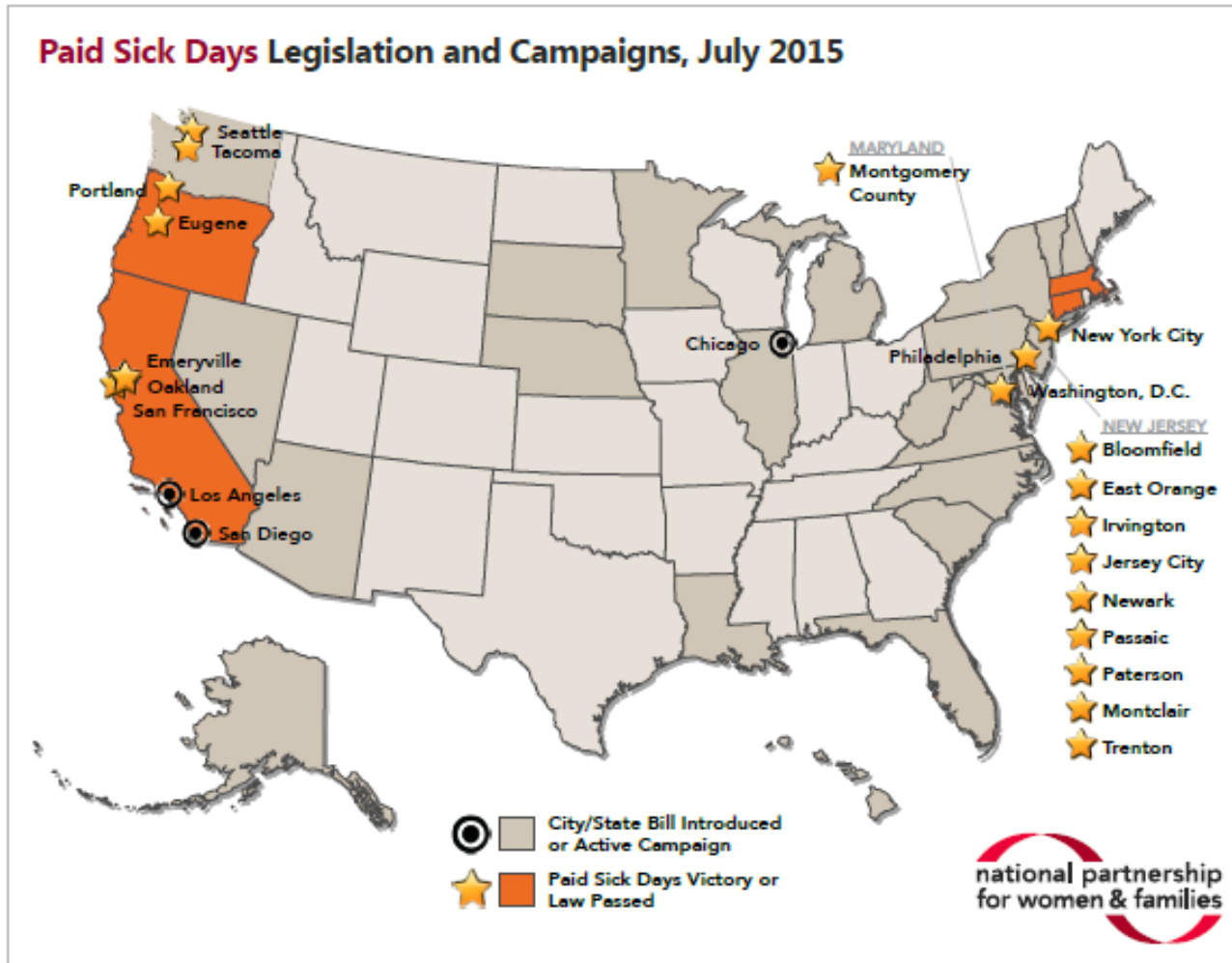
# Goals Achieved—Compliant, Enhanced Programs

A competitive, growing organization invests:



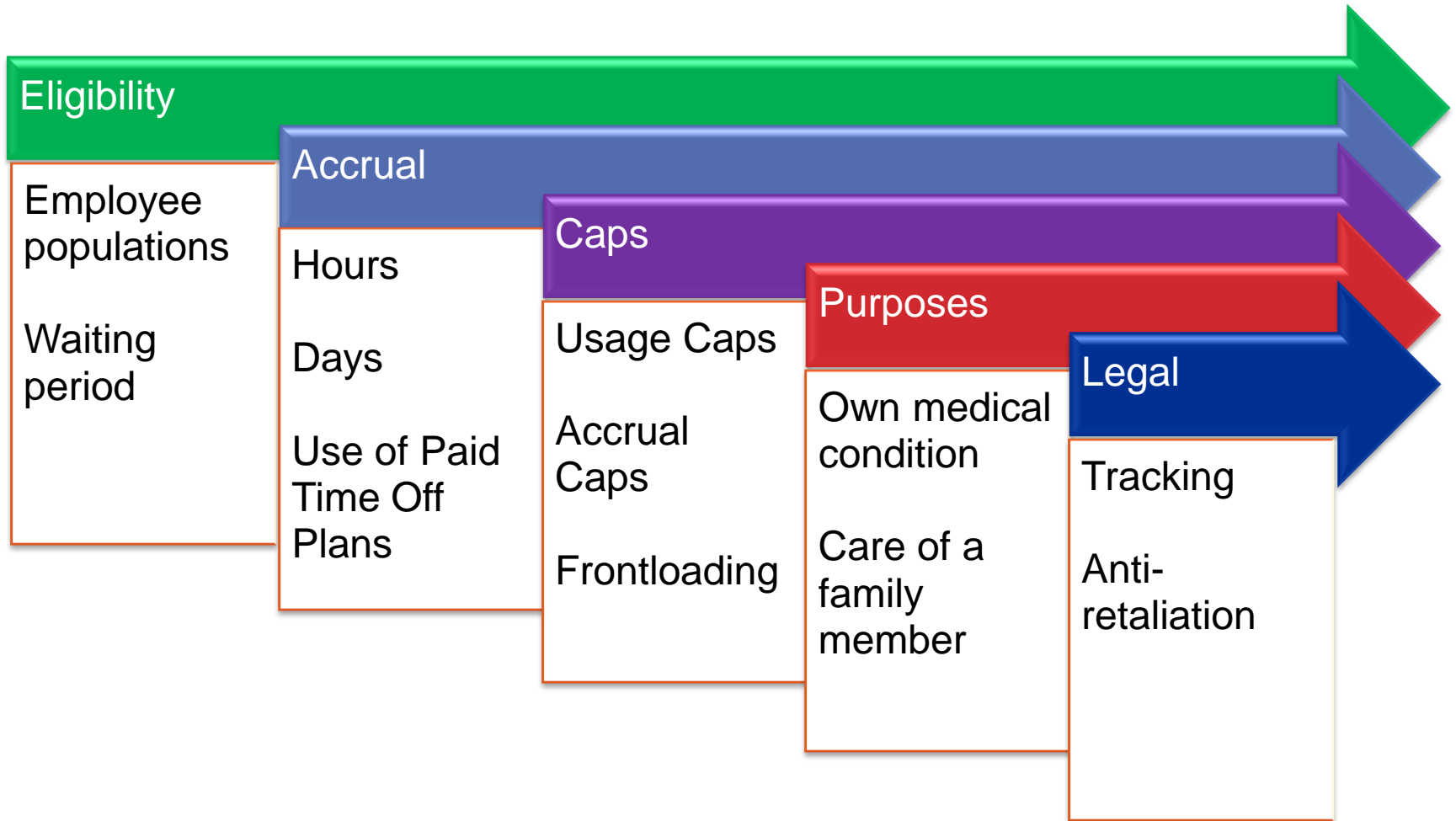
| Action                                                         | Cost Implications                                                                                                                                                                                       |
|----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Self-fund VDI</b>                                           | <ul style="list-style-type: none"> <li>Feasibility study demonstrated significant surplus, resulting in the funding of a better additional STD benefit</li> <li><b>Net Savings for Tesla</b></li> </ul> |
| <b>Self-fund STD &amp; Maximum Duration STD/LTD EP 180 day</b> | <ul style="list-style-type: none"> <li>Future positive impact to LTD experience, reduces false positives in 180 day plan vs. prior 90 day plan</li> <li><b>Cost-Neutral for Tesla</b></li> </ul>        |
| <b>Enhance Paid Parental</b>                                   | <ul style="list-style-type: none"> <li>Cost per week of \$170K (6 week benefit)</li> <li><b>Additional Cost to Tesla</b></li> </ul>                                                                     |
| <b>Change STD &amp; LOA Administrators</b>                     | <ul style="list-style-type: none"> <li>Improved employee advocacy model, custom administration with TPA</li> <li><b>Net Savings for Tesla</b></li> </ul>                                                |
| <b>Compliance CA Paid Sick</b>                                 | <ul style="list-style-type: none"> <li>Enhanced PTO design created CA PSL compliance and more competitive</li> <li><b>Additional Cost to Tesla</b></li> </ul>                                           |

# Prevalence of U.S. State & Local Paid Sick Leave Laws



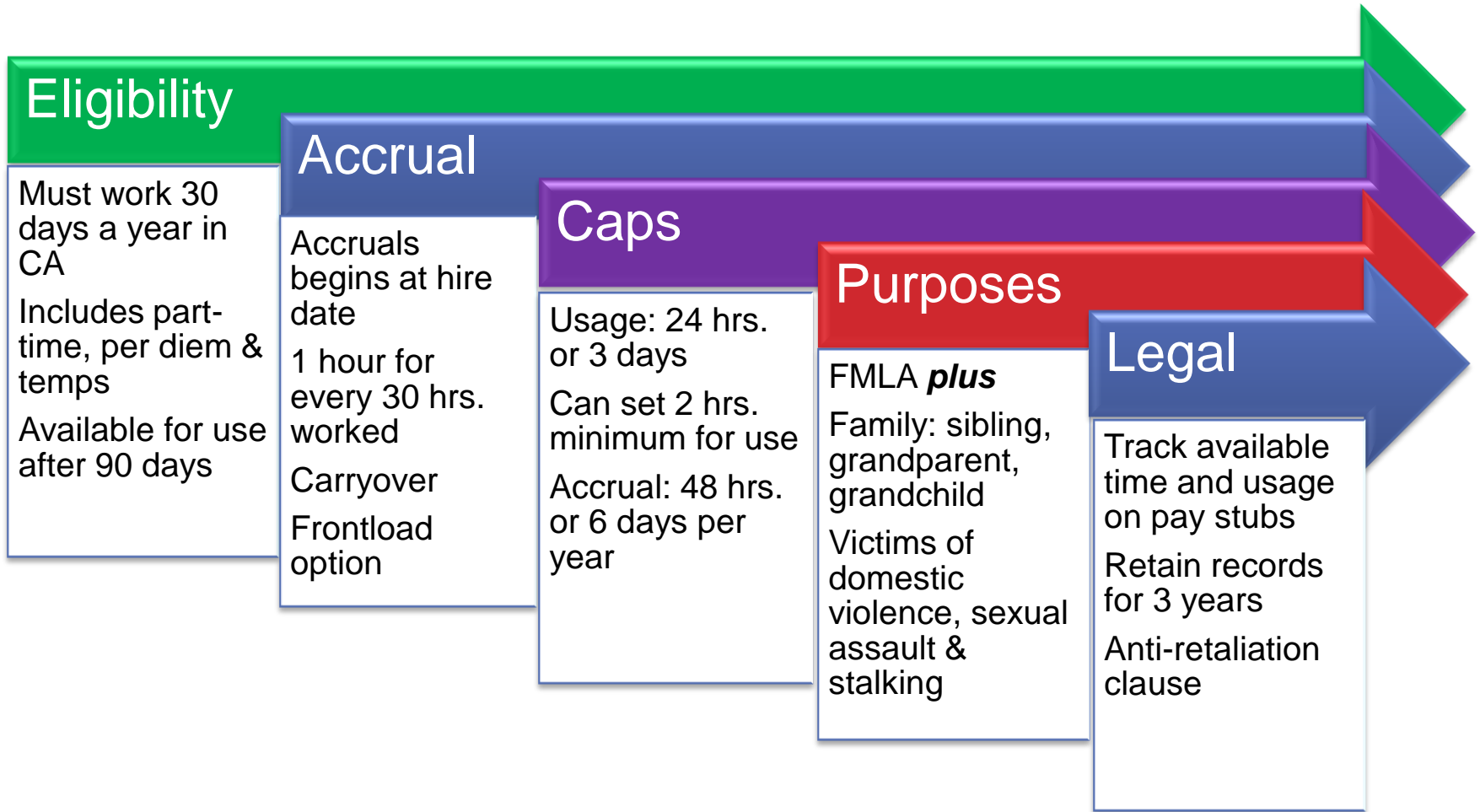
Source: National Partnership for Women and Families

# Overview of Typical Paid Sick Leave Law Requirements

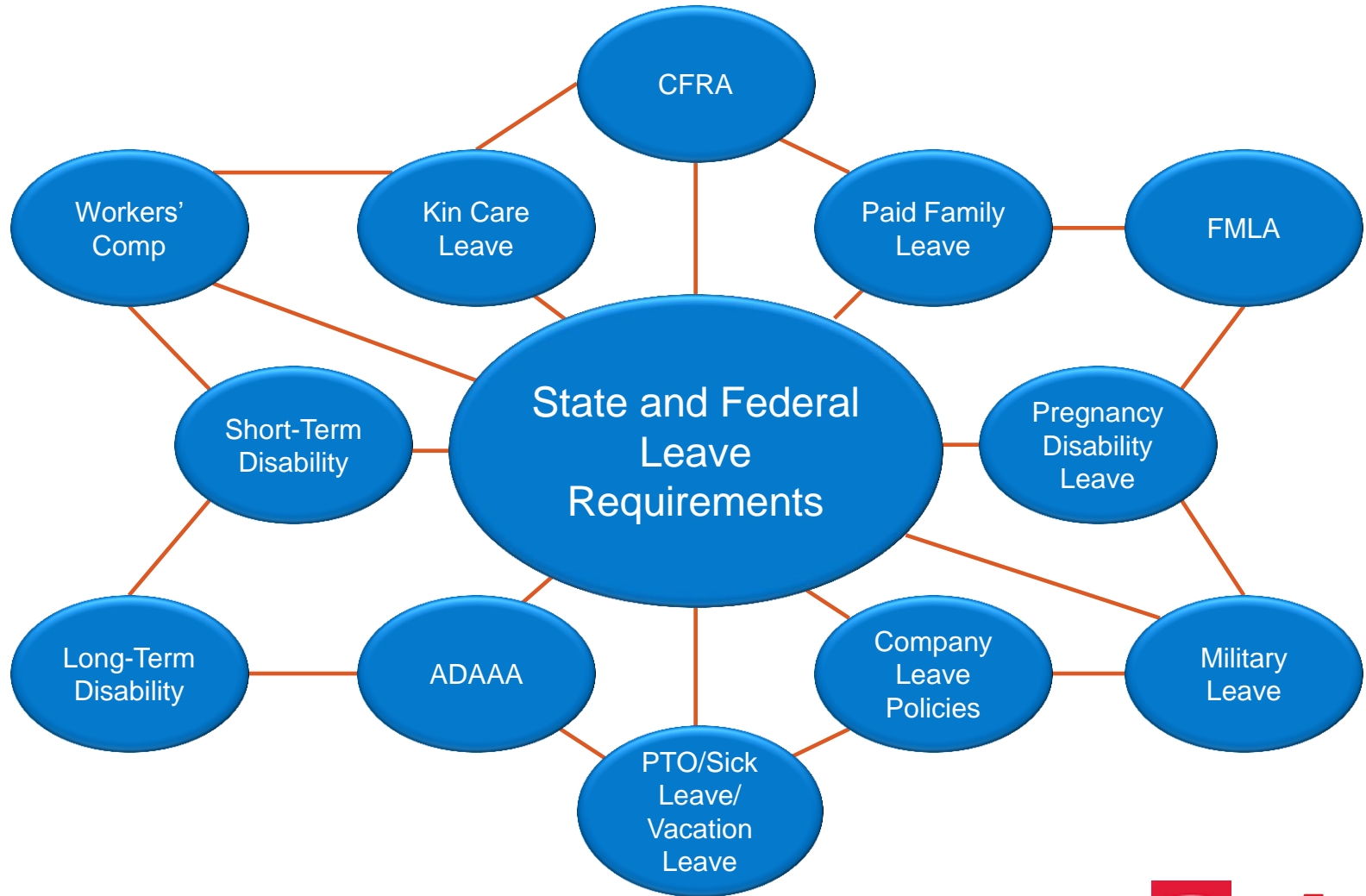




# Overview of California Paid Sick Leave Law Requirements



# Navigating the Complex Web of Leave Compliance: CA Example



# Developing an Action Plan for Compliance



- Offer a single national plan covering all employees/regulations?
  - Or, a national plan with some local tweaks?
  - Or, a national plan for all non-regulated jurisdictions and a local plan for all regulated jurisdictions?
  - Or, a separate plan for employee's not eligible for other paid leave benefits?
- Is it time to re-evaluate paid time off benefits?
  - Change to a PTO plan?
  - Change from a PTO to separate—vacation and sick time benefits?
- How best to be compliant supporting broader organizational goals?

## Employers Considering How to Comply—Same Plan for Everyone?

### Paid Time Off

- Will the PTO plan meet eligibility, accrual, carryover, use requirements, etc.?

### Paid Time Off + Sick

- Does the PTO plan exclude any employees (part-time, interns, etc.)?

### Vacation + Sick

- Is it best to separate time for vacation/personal from sick?

## Design Options Example—Projected Cost Modeling

| <b>Proposal</b>                          | <b>Additional Sick Days</b> | <b>Total days off</b> |
|------------------------------------------|-----------------------------|-----------------------|
| Nationwide compliance                    | 5 Days (40 hours)           | 15 PTO/5 sick         |
| CA state requirement                     | 3 Days (24 hours)           | 15 PTO/3 sick         |
| Reduction of PTO bank from 15 to 12 days | 0 Days                      | 12 PTO/3 sick         |

- Cost occurs only if additional sick time is used
- Does not include temporary staffing sick time cost
- Does not include staff replacement cost



# Tesla Proposed Design—Sick Plan Transition California



Update PTO Policy

Develop Communications

Evaluate Time & Attendance

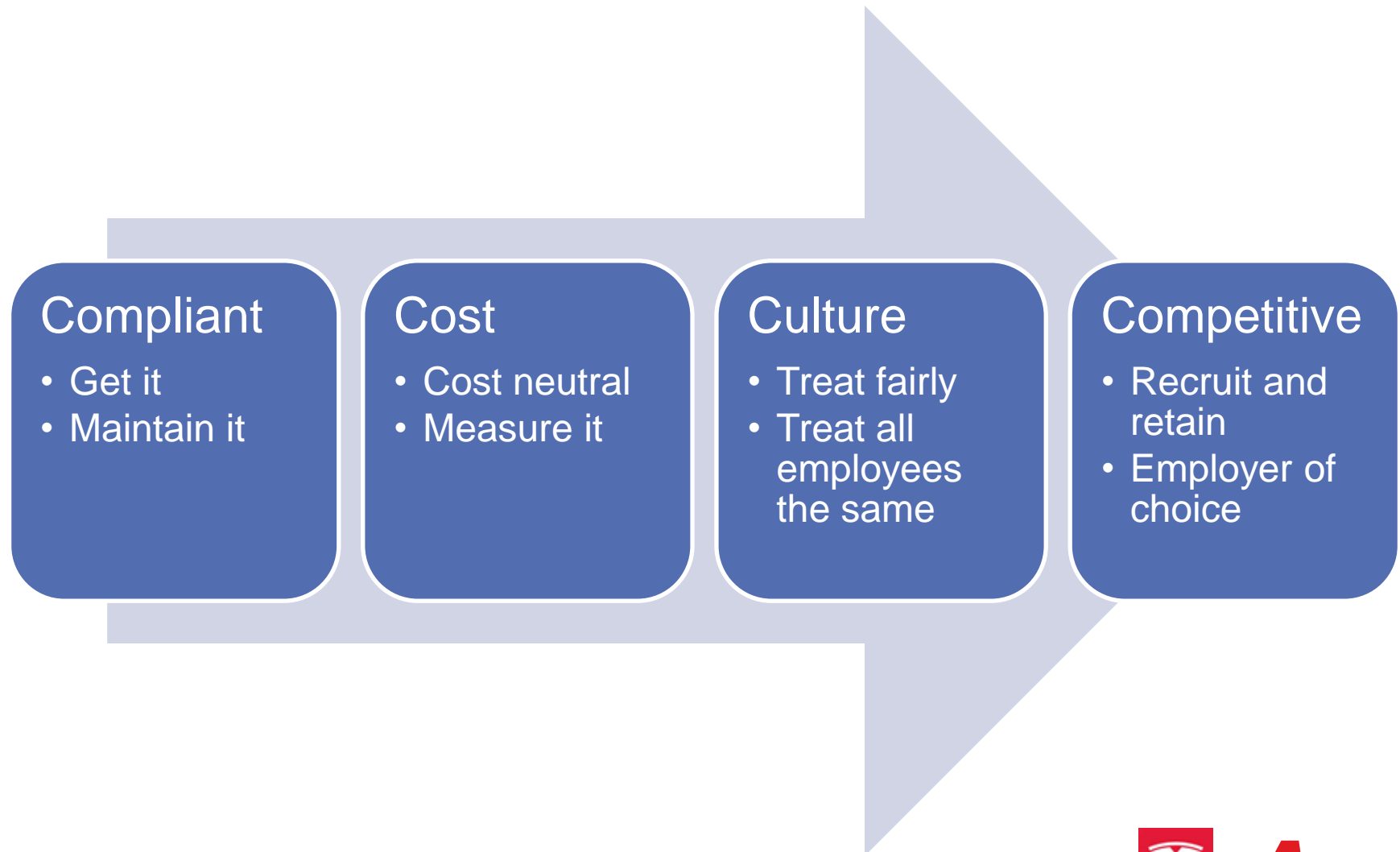
Train Managers

Develop PSL Policy for EE Not Eligible for PTO

Measure Impact

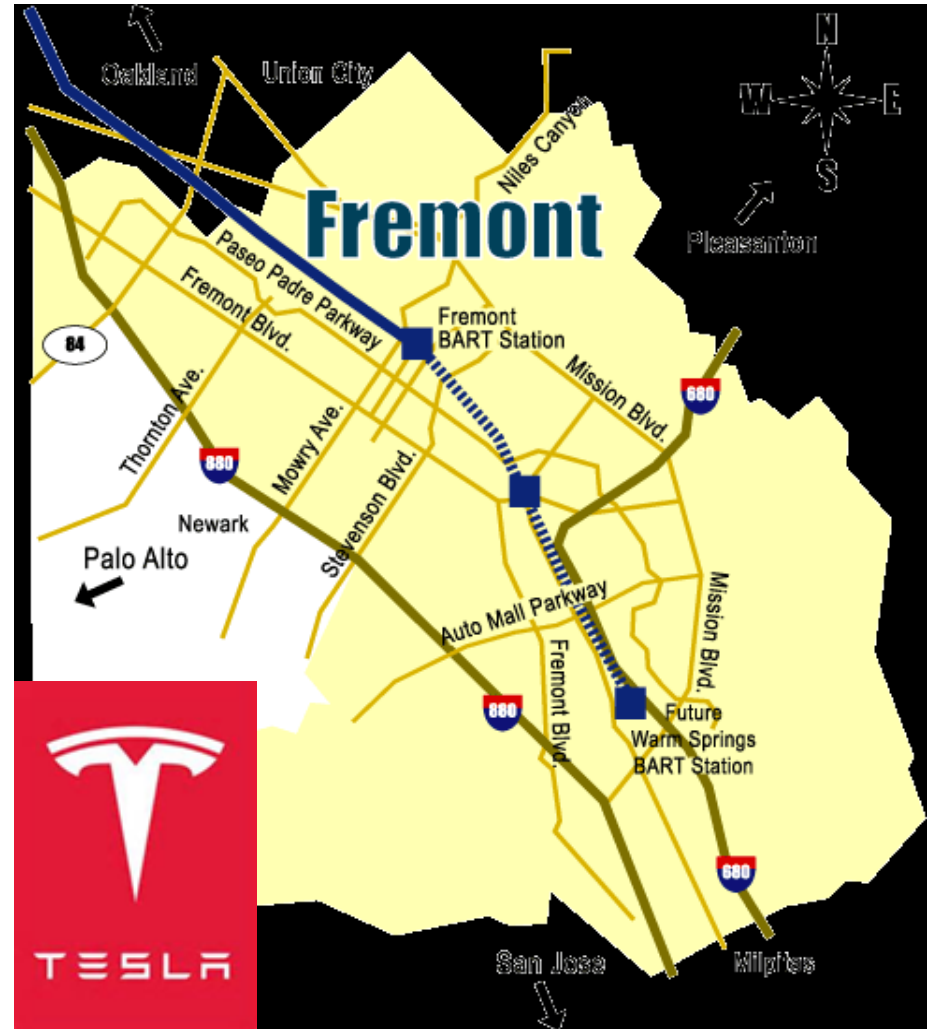
Annual cost increase to provide new paid sick leave for interns

# The Evolving Paid Sick Leave Environment—The Four “C”



# Questions and Answers

Need  
Directions?





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