

# ESOP UPDATE

Information about your Employee Stock Ownership Plan (ESOP)

## Company stock is held in trust for you

Rather than being direct stock owners, ESOP participants have “beneficial ownership.” Beneficial ownership makes it possible to share the financial advantages of ownership broadly with employees in the form of an employee benefit. Technically speaking ESOP participants (employees at your company) are the beneficiaries of a trust that holds the stock of your employer.

**What is a trust?** The trust is like a virtual safety deposit box.



*It holds something of value.* The thing of value inside your ESOP trust is the stock of your employer plus any other investments in the plan. Individual accounts are maintained for the ESOP participant inside the trust.

*The account is held for your benefit.* The ESOP trustee is the caretaker of the trust and acts as the shareholder for the company stock is held in the trust.

*Value is distributed to beneficiaries at a defined time in the future.* ESOP participants (employees) are the beneficiaries who will receive the value of their account when they are eligible for a distribution from the plan. Because it is a retirement plan, this is generally after you have retired or otherwise left employment. Distribution timing is outlined in detail in your ESOP’s Summary Plan Description (SPD).

### What does the trustee do?

Every ESOP has a trustee. This person (or group of people) takes on the legal obligation to operate the trust for the benefit of the ESOP participants. Each year the trustee hires an independent financial advisor to appraise the value of the company stock. They also make sure the trust operates according to the law and its rules. The trustee is responsible for acting as the shareholder on routine shareholder matters. They are required to consider only the financial interest of the participants in carrying out their duties as the trustee.

### Who manages an ESOP company?

Just like any corporation where a group of people share ownership, your company has a corporate structure for effective decision making. The company’s board of directors and executives have an obligation to run the company to enhance shareholder value. (ESOP value is shareholder value.) Managers still have a responsibility to manage their part of the business and employees still have the responsibility for their job-level goals. What is different is that when each person does his or her part effectively, all participants in the ESOP share in the financial rewards of success.