



# The Balancing Act: Short and Long Term Rewards in Employee Owned Companies

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*The ESOP is like a train with people  
always getting on and getting off.*

Don Miller, Peter Paquette, Cindy Turcot



# Employee Benefits

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- Compensation / bonuses / Profit Sharing
- Health Care – medical, dental, vision
- Disability and Life Insurance
- Paid Time Off
- 401k / Employer Match / Vesting
- FSA, HSA, HRA, Bounty Payments
- Other?





# Benefit packages in the non-ESOP world

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- Remain Competitive
- Attract Employees
- Retain Employees / Avoid turnover
- Golden Handcuff
- Maintain Employee Satisfaction
- Provide Value to the Stakeholders  
(best benefits for the least cost)





# ESOP Benefit considerations (employees are the Stakeholders)

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- Additional/Sweetened benefits can serve as a profit sharing tool.
- Changes in Plan design can enhance employee benefits.
- Improve Employee Satisfaction.
- Balance younger worker needs and older worker goals (pay me/save me).
- Practical and Philosophical Considerations.
- Some Ideas / Discussion



# Why give Additional or Sweetened Benefits?

- Treats vested/non vested employees equally.
- Improves competitive advantage in hiring.
- Create a golden handcuff.
- More immediate reward for success.
- Additional current year expense lowers long term profits and retained earnings.
- May result in lower valuation.





# Plan Design Considerations

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- In-Service Distributions
- Moving terminated employees out of stock
- Account Rebalancing
- Delayed payout structure for terminated employees creates the golden handcuff
- Delayed payout structure may Stabilize valuation due to predictability of cash requirements
- Marketability discounts can be reduced if repurchase liability is “funded”





# Improve Employee Satisfaction

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- **Happiness versus Euphoria**  
Are euphoric employees more productive than happy employees?
- Is employee ownership a current satisfaction vehicle or a retirement vehicle?
- How much do today's employees owe tomorrows employees?





# Balance Younger Worker Needs and Older Worker Goals

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- Younger workers need the assistance today. Cash is king!
- Non Vested workers need a reason to stay for what appears to be a lifetime.
- Middle workers hope the stock value will maintain until their time to collect.
- Older / Diversification eligible workers want improved valuation.





# Practical and philosophical considerations

- Governance Issues – sharing profits has to be weighed against maintaining liquidity in the business.
- Maintain excitement (focus) among the non vested employees.
- Maintain excitement (focus) among the vested employees.
- How much emphasis should management place on retirement vs. current reward.





# Some Ideas

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- Establish a “profit sharing pool”
- Contribution / Loan Payment
- Bonuses
- 401k Match
- Health Insurance Costs / Bounties
- Other Ideas?