

## ISSUE HIGHLIGHTS

- The first-ever ESOP transaction survey shows increasing use of outside trustees during transactions. [See pages 10-11](#) for details about trends in transaction cost, funding patterns, and more.
- Should your equity compensation be performance based? [See page 13](#) for tips to successfully adopt and launch a performance-based plan.
- The most recent available data on the extent of ESOPs show 6,795 plans as of the end of 2013. [See page 3](#) for breakdowns by age, public/private, leveraged/non-leveraged, and more.
- One employee-owner describes five reasons employee ownership is an advantage to her company's clients, from increased accountability to efficiency to a long-term perspective. [See page 4.](#)
- Despite the rise of the 100% ESOP-owned company, some companies choose fractional ESOP ownership. The extended quantitative case study on [pages 6 and 7](#) looks into the choices that determine the sustainability of a fractional ESOP.
- Six winners of the Innovations in Employee Ownership Award share what gives them the ownership edge on [page 9.](#)
- The NCEO has grant money available for employee-owned companies that want to improve their workforces' proficiency in English and business literacy. [See page 7.](#)

# EMPLOYEE OWNERSHIP REPORT

JANUARY-FEBRUARY 2016  
VOLUME XXXVI, NO. 1

## ESOP COUNT

### Mixed Trend Continues

According to the latest data available from the Department of Labor, there were 6,795 ESOPs covering close to 14 million participants and holding more than \$1.2 trillion\* in plan assets as of the end of 2013. Among those plans, 81% were stand-alone ESOPs, and 19% were KSOPs (an ESOP that also has a 401(k) feature).

Analysis by the NCEO integrates information from the Compustat database with data from the Form 5500 to present the state of ESOPs in intricate detail. The tables [on page 3](#) break out the ESOP universe by public companies (EINs are associated with a stock ticker), and the remainder are presumed to be privately held. Table 1 shows that public companies represent 8% of ESOPs, 78% of ESOP participants, and 58% of employer securities. Table 2 shows that most public company ESOPs are KSOPs. Small, privately held ESOPs tend to be non-leveraged (Table 3). Table 4 breaks out the age of ESOPs by their plan's effective date as reported in the Form 5500. Older ESOPs as a category hold more than \$1.1 trillion\* in plan assets.

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\* Editor's note: Amounts corrected since first publication

## 2016 INNOVATIONS IN EMPLOYEE OWNERSHIP AWARD

### Call for Applications

Applications for the 2016 Innovations in Employee Ownership Award are currently being accepted at [www.nceo.org/r/EOAwards](http://www.nceo.org/r/EOAwards).

Winners of the award are recognized each year at the NCEO's annual Employee Ownership Conference. In collaboration with the Beyster Institute at the Rady School of Business of UC San Diego, the NCEO recognizes employee-owned companies for a number of innovative practices that stem from the development of effective ownership cultures and highly engaged workforces of employee-owners. By sharing these ideas with the employee ownership community, this award strives to encourage employee-owned companies to continue to innovate. [On page 8](#), we discuss past winners of the award and the innovative practices that have helped these companies succeed and earn recognition.

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