Earning a Right to What's in Your Account

As a participant in the ESOP, one of the most important things for you, of course, is how much you get. This depends on two things: how much is in your account and how vested you are in that account.

Because we want the ESOP to most benefit those employees who stick around, what goes into your account is earned over time, a process known as "vesting." The term actually comes from centuries ago—to "vest" someone was to clothe with a garment. Over time, another use—to "clothe" someone with a right to something—made its way into law.

In almost all retirement plans, employees get an increasing right to what is allocated to their account as they vest. By law, this process can take no more than six years. Here is how our vesting schedule works:

After:	You Are:
One Year of Service	0% Vested
Two Years of Service	20% Vested
Three Years of Service	40% Vested
Four Years of Service	60% Vested
Five Years of Service	80% Vested
Six Years of Service	100% Vested

To illustrate how this works, if you have completed three years of service and have $8,000 in your account, you would be 40% vested in that, meaning you have a right to $3,200 of it (.4 x $8,000 = $3,200). Whatever is vested cannot be taken away. In other words, even if you do not make it to 100%, we'll still give you credit for how far you got. It is worth noting, that depending on your company's segregation policy, that is, how quickly they pay out the value of the shares, your account value is subject to the value of the shares.

What happens to what is in your account if you leave before becoming 100% vested? In that case, you are entitled to whatever percentage you have earned ($3,200 in the example above) after the waiting period. The rest of your account balance ($4,800) gets redistributed into the accounts of everyone else. These redistributed shares are called forfeitures. So, your account grows through what the company contributes and from forfeited shares from people who do not stay.