



Administration and Communication Committees: How to Create and Use Them Effectively

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Las Vegas ESOP Conference & Trade Show ■ Nov. 8 - 9, 2018



Preface

- Please fill out a session evaluation form and drop it off at the table outside of this room
- Your feedback on topics and presenters is important and will be used to develop subsequent TEA programs
- Take a moment to silence your cell phone
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Session Goals

- ESOP committee defined
- Fiduciary considerations
- Types of ESOP committees
 - Administrative
 - Communication
- Purpose of ESOP committee
- ESOP committee structures and establishment
- Running a meeting
- Pitfalls



The Parties



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ESOP Committee Defined

- A group of employees in an ESOP company that have been designated as a group for the support and achievement of specified ownership objectives.



Types of ESOP Committees

- Administrative
- Communication



Fiduciary Considerations

- Fiduciary: a person or body that exercises control or discretion over management of the plan or assets of the plan.
- Is the ESOP Administrative Committee a fiduciary?
 - Named Fiduciary
 - Functional Fiduciary
 - Consider the Activity



Purpose and Selection of ESOP Committee

- Many of the duties are delegated by the board, particularly Administrative Committee duties
- Board appointment (common for Administrative Committee), management designation, employee vote or volunteer
- May include management and non-management members
- Consider complexity of duties and experience of member
- Administrative Committee may be smaller (2-5 members)
- Communication Committee may be larger (8-12 members) and representative of employees
- Membership selection process may evolve over time



Administrative Committee

- Primary goal of Administrative Committee is to assume administrative oversight of the plan and possibly the management of plan assets
- May be fiduciary or advisory status
 - Fiduciary status dictated by ERISA
 - Advisory status have less stringent duties and responsibilities



Administrative Committee

- Duties
 - Eligibility
 - Proper allocation, recordkeeping, contributions timely
 - Forms: Benefit election, Form 5500, QDROs
 - Procedures followed: Employee complaints, document distribution
 - Hire TPA
 - Oversee distributions
 - Interpret plan provisions
 - Provide TPA with information
 - Keep minutes for committee meetings



Managing the Meeting

- Select a chairperson to facilitate discussion, prevent dominance (consider a junior person)
- Select a dedicated person for minutes
- Set the agenda



Meeting Agenda

- Review prior meeting minutes
- Identify committee members present
- Review action/follow-up items from prior meetings
- Time for brainstorming
- Subcommittee reports
- Identify action/follow-up items for next meeting
- Identify time, date, location for next meeting



Decision Making Process

- Identify and research the issue
- Seek outside guidance or expertise when necessary
- Consider the alternatives
- Discuss and debate the issue
- Document process
- Decide/vote on the final decision
- Be sure that all committee members understand how decisions will be decided—i.e., by consensus, voting by majority, weighting to larger divisions or locations, or chairperson



Communication Committee

- Primary role is to communicate ESOP benefits and generally responsible for fostering an ownership culture among all employees and assist in building greater productivity.
- Should represent different perspectives, but small enough for meaningful contribution.
- Watch top heavy composition, such that senior managers take over. Balance tenure and seniority.



Communication Committee

- Resources needed
- Time
 - For committee members to participate
 - For employees to join in activities
- Money
 - Level depends upon activities
 - Company meetings
 - Company newsletters
 - Conferences



Objectives of Communication Committee

- Align with company objectives
- Assess level of openness and accessibility with senior management
- Education and sharing of information
- Formal and informal level
 - Multiple methods



What Are the Objectives of ESOP Education?

- Objectives based on tenure/time of service
 - New hire
 - ESOP Basics
 - Presentation that answers the 6 basic questions
 - Delivered in person after 60 days of hire
 - Orientation information
 - Timetable
 - 2-5 Years with Company
 - 7-15 Years with Company
 - Age 55 and Older
 - Retired, Drawing a Check



What Are the Objectives of ESOP Education? (Cont'd)

- Objectives based on results and abstract deliverables
 - Culture—Think like an owner
 - Retirement—Last company you will ever work for
 - Retention
 - Morale
 - Dedication
 - Motivation
 - Pride in Ownership

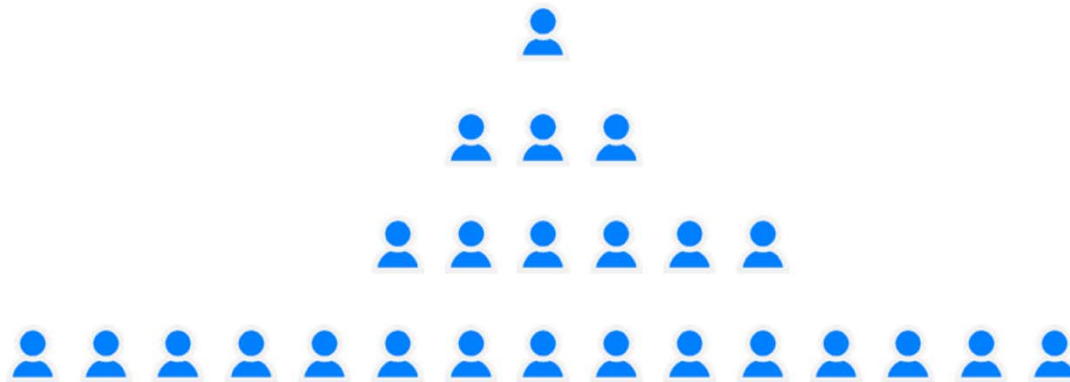


Common Pitfalls

- Excessive intervention by management
- Stay focused with overall mission of the committee and stated goals in mind
- Unclear role—make sure members have time to get to know one another, especially for non-management members
- Too frequent change in committee members
- Keep conflict to a manageable level (moderator, subcommittees)
- Lack of support or resources
 - May need external support
 - As committee grows, need for resources grows
 - Ongoing training, particularly for Administrative Committee



Pitfalls—Management



Committee Review

- Periodic review of committee performance and effectiveness
- Administrative Committee may be more focused on technical knowledge and decision making process
- Communication Committee may be more focused on creativeness, energy, and enthusiasm



Conclusion

Questions?



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- Debra Williams currently serves as Senior Vice President in the Employee Stock Ownership Plans (ESOP) Client Services group, focusing on managing client relationships and ESOP transactions.
- Ms. Williams serves as relationship manager for ESOP clients throughout the country. She has worked with employee-owned companies since 2002, providing trustee services as well as transactional services. Her ESOP experience includes a wide range of transactions including new ESOPs, second stage ESOP transactions, redemptions, sales, refinancing, restructuring and mergers and acquisitions. Ms. Williams has also participated in numerous ESOP transactions, and has experience in profit sharing plans, money purchase plans and 401k plans. Prior to joining GreatBanc Trust in 2016, Ms. Williams managed the Directed and Non-qualified Retirement Plan Services division of Bankers Trust Company in Des Moines, IA.
- Ms. Williams is a frequent speaker and author on ownership culture, fiduciary issues and corporate governance. She is a member of the ESOP Association, chairing its Ownership Cultural Committee, is on its Board of Governors, and is a member of its Iowa/Nebraska Chapter. In addition, she is a member of the National Center for Employee Ownership.

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- Christopher is a part of Kaufman & Canoles' ESOPs & Employee Benefits Group where he advises clients on a broad range of issues relating to qualified and nonqualified plans and corporate succession transactions. Christopher works with corporations and their shareholders in a wide range of M&A as well as exit transactions, including leveraged buyouts, stock sales and corporate redemptions, mergers, reorganizations, asset sales and purchases, and generational transfers.
- Christopher's employee benefits practice focuses on the design, implementation, maintenance and compliance of employee stock ownership plans. Christopher works with both ESOP Sponsors and ESOP Trustees in initial stock purchase transactions, second stage transactions and sale transactions of successful ESOP companies. Christopher also advises ESOP Sponsors in the management of mature ESOPs including evaluating repurchase obligation options, resolving administrative issues, counseling on acquisitions and secondary purchase transactions, and coordinating and designing executive compensation plans complimentary to ESOPs.
- Christopher's executive compensation practice involves a variety of nonqualified executive compensation plans. Christopher works with corporations in the design, adoption, implementation and compliance of nonqualified plans which have involved phantom stock, stock appreciation rights and other synthetic equity, stock options, restricted stock, deferred compensation and other executive compensation arrangements. Christopher also represents executives in the negotiation of executive compensation arrangements and employment agreements, taking an inclusive approach so to ensure the compensation structure is a part of the executive's broader trust and estate planning.

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Postscript

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