

A background image showing two women in an office. The woman in the foreground is a young Asian woman with short dark hair, wearing a dark grey sweater, gesturing with her hands as if speaking. The woman in the background is a young white woman with long blonde hair, wearing a striped shirt, holding a white document. The image is partially obscured by a large blue circular graphic on the right side.

Develop & Update Your ESOP Administration Timeline

A Month-by-Month Calendar
for Annual ESOP Planning

The recordkeeping, administrative, and regulatory requirements of any employee stock ownership plan (ESOP) are significant and time-sensitive, with many moving parts and multiple responsible parties — administrator, trustee, third-party administrator (TPA) representatives, and more — who all have to interact with one another and provide timely reports, data, and insights.

An effective ESOP administrative timeline meets these objectives:

- 1 Outlines the key requirements and deadlines to keep your ESOP on track**
- 2 Covers month-by-month issues and needs that arise throughout the plan year**
- 3 Provides the framework for an annual review process to help satisfy fiduciary obligations of a plan administrator and/or plan trustee**

Review Your Administrative Performance and Whether You Need More From Your TPA

We created this guide as a reference for ESOP company leaders, administrators, and trustees to use collaboratively in the process of developing, reassessing, and implementing the annual ESOP administrative calendar that meets your plan needs.

This guide can help you build an individualized ESOP administrative timeline that meets all three objectives — plus, throughout the ESOP year we offer periodic recommendations for culture-building events and concepts that can help your ESOP-owned business maximize the benefits of employee ownership.



Keep in mind, this guide is based on an ESOP with a December plan year end.
If your plan year ends at a different time of year, don't forget to adjust accordingly!



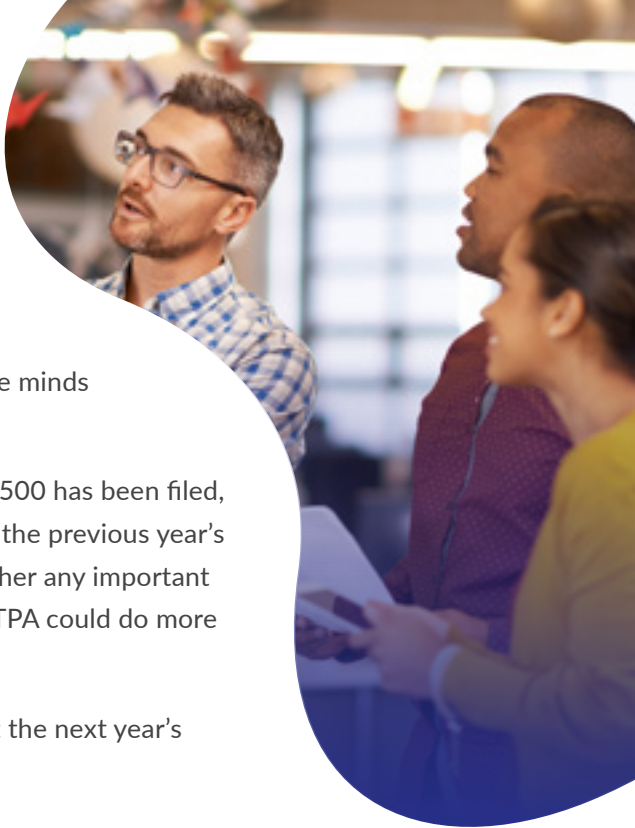


December: Get Organized for a Successful Plan Year

Many diligent ESOP administrators kick off the next year’s planning as early as the end of October or early November. Why? Because the experiences of the plan year — positive and negative — are still fresh in the minds of the responsible individuals.

Once the year’s Summary Annual Report has been distributed, IRS Form 5500 has been filed, and any plan distributions have been processed, it’s a great time to revisit the previous year’s allocation process and start planning ahead for year-end. Determine whether any important tasks were delayed or presented problems, and investigate whether your TPA could do more to keep your plan on track.

At the very least, gather everyone’s top thoughts on the plan year, and set the next year’s important ESOP events in your calendar so they can’t slip past you.



Task	Assignee	Due Date
<input type="radio"/> Deliver Summary Annual Report to participants		December 15 if the IRS Form 5500 was extended to October 15
<input type="radio"/> Perform due diligence on your team of ESOP advisors		
<input type="radio"/> Engage ESOP advisors as needed		
<input type="radio"/> Pre-allocation meeting with TPA: <ul style="list-style-type: none">• Review prior year’s administrative process• Discuss amendments that took place during the plan year• Is an ESOP audit needed in the coming year?• Review key dates for current plan year end		
<input type="radio"/> Prepare employee census data file for plan year		
<input type="radio"/> Deliver bank statements and employer contribution		
<input type="radio"/> Determine expected date of receipt of final stock value		
<input type="radio"/> Request year-end data	TPA	
<input type="radio"/> Process Required Minimum Distributions (RMDs)		

Proposed Meeting Dates for the Coming Plan Year:

1

2

3

4

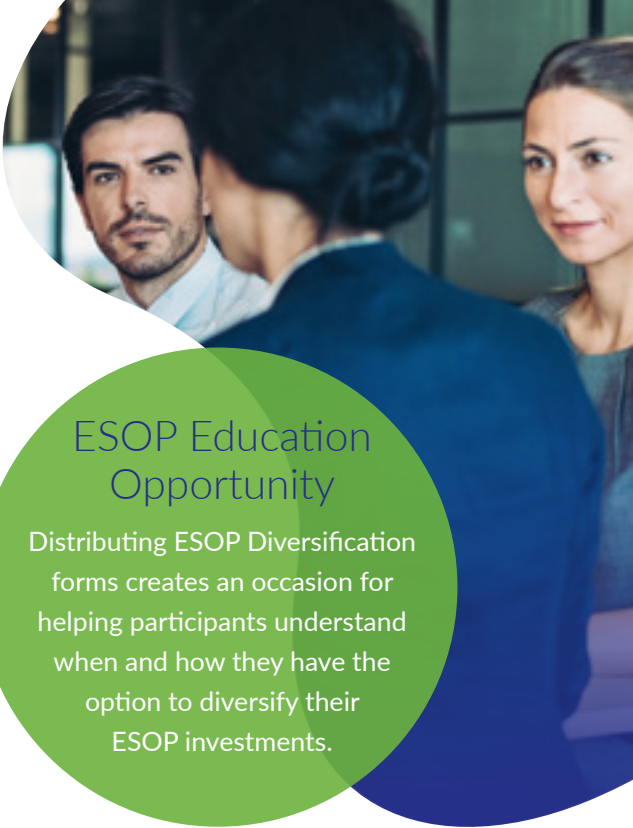




January: Amend, Restate, and Submit the Plan Document

The new year starts with reporting and filings for the previous year, and the first significant task is to amend and restate your Plan Document. It's a smart practice to monitor for changes to laws that can lead to changes in regulatory requirements. Check for updated requirements on the [Internal Revenue Service website](#).

Last-minute resolutions rarely stick, and the same can be said for ESOP responsibilities. If it's January and you're just getting started on your plan year needs, it may be time to call for help. An experienced TPA can help you and your team get set up for success before it's too late.



ESOP Education Opportunity

Distributing ESOP Diversification forms creates an occasion for helping participants understand when and how they have the option to diversify their ESOP investments.

Task	Assignee	Due Date
<input type="radio"/> Distribute preliminary ESOP Diversification Forms		
<input type="radio"/> Organize census information		
<input type="radio"/> Complete annual information and questionnaire forms		
<input type="radio"/> Prepare benefit payment government filings: <ul style="list-style-type: none">• IRS Form 1099-R• IRS Form 1096• IRS Form 945		
<input type="radio"/> Amend and restate Plan Document based on the IRS schedule (above)		
<input type="radio"/> Submit Plan Document to IRS for Determination Letter		
<input type="radio"/> Distribute Summary Plan Description and Summary of Material Modification(s) to new participants*		

*NOTE: Distribution of Summary Plan Description and Summary of Material Modification(s) must be distributed to new participants within 90 days of eligibility — so depending on your plan's new participant entry dates (quarterly, semi-annual, etc.), you may need to do this several times throughout the plan year.





February: Compliance Testing and ESOP Trust Accounting



Qualified plans need to define compensation for compliance testing purposes, including determinations of the following:

- Highly Compensated Employee under IRC Section 414(q)
- Key Employees and Top Heavy Minimum Contributions to non-key employees under IRC Section 416
- The company's IRC Section 404 Deduction limits
- Each participant's IRC Section 415(c) Annual Additions combined plan limits

Given multiple viable definitions of compensation, this can be complicated – but an experienced ESOP TPA can guide your team through the process.

Task	Assignee	Due Date
<input type="radio"/> Census data review	TPA	
<input type="radio"/> Determine eligibility		
<input type="radio"/> Perform preliminary compliance testing:: <ul style="list-style-type: none">• Compensation Limit Determination• Effective Deferral Limit• Deduction Test• Restricted Participant Determination• Anti-Abuse Test (for S Corps only)• Coverage Test		
<input type="radio"/> Gather ESOP trust activity for the plan year		
<input type="radio"/> Draft preliminary ESOP trust accounting reports		





March: Corporate Tax Return, Draft Allocation Report

It's ESOP valuation time, and IRC Section 401(a)(28)(C) requires that privately held stock must be valued by an independent appraiser. That means timely submission of company financial statements and other ESOP documents to your valuation professional.

Valuation Prep Checklist

- Plan Document and Summary
- ESOP Trust document
- Past Form 5500s
- Repurchase obligation study, if any
- Summary reports of participants' statements
- Audited financial statements*: income statements, balance sheets, notes, and supplementary schedules
- Corporate tax returns
- Interim financial statement and statement for the same period in the previous year
- Long-term and short-term budgets
- Business plan and financial forecasts
- Fixed asset depreciation schedule
- Loan agreements and amortization schedules
- Key supplier and customer agreements
- Other documentation as necessary

*Reviewed statements may be acceptable. Consult with your valuation professional, accountant, and TPA.

Task	Assignee	Due Date
● Complete company financial statements for prior year		
● Provide financial statements to valuation firm		
● Corporate tax return due date if not extended		March 15
● Draft preliminary Allocation Report on a participant level		
● Eligible participants should return Preliminary Diversification Forms (within 90 days after the plan year end)		



Ownership Culture Opportunity

As your leadership team assembles and prepares the documentation for annual valuation, you might feel inspired to lead an employee lunch-and-learn or similar event to connect the dots between individual employee performance, company performance, and ESOP share value.





April: Last Day of Prior Year RMDs, Valuation Report to Trustee

In April, your leadership team should expect to spend a little time with your valuation appraiser, as they perform their due diligence and request any follow-up information for the stock valuation process. Once complete, the appraiser provides the valuation report to the ESOP trustee.

The Stock Valuation Process



Company financial
statements
prepared



Company financial
statements provided
to Valuation Firm
(appraiser)



Appraiser
conducts due
diligence



Appraiser and ESOP
Trustee review
valuation report



Trustee
determines final
stock value

Task	Assignee	Due Date
<input type="radio"/> Last day to distribute RMDs for participants who first met requirements during prior calendar year		April 1
<input type="radio"/> Appraiser conducts on-site due diligence and/or management interviews	Valuation firm	
<input type="radio"/> Appraiser delivers draft Valuation Report to the Trustee(s)	Valuation firm	
<input type="radio"/> Trustee meets with Appraiser to review draft Valuation Report	Trustee, Valuation firm	





May: Stock Valuation, Share Price Announcement

The announcement of the annual stock price is part of an active month in the ESOP calendar. Participant allocations, annual statements, and distribution or diversification packages are delivered.



Ownership Culture Opportunity

Your ESOP share price reveal is a unique, once-a-year opportunity to shine a light on all the ways employees can improve efficiency, profitability, and performance — measurables that contribute to company health, and a healthy stock price. Consider making a company-wide event of your share price reveal. And if you need ideas, themes, or help, a TPA with experience building ownership culture can help.

Task	Assignee	Due Date
<input type="radio"/> Appraiser provides final Valuation Report to the Trustee(s)		
<input type="radio"/> Trustee determines stock value and forwards copies to accounting firm and TPA		
<input type="radio"/> Accounting firm releases final financial statements		
<input type="radio"/> TPA issues final ESOP administration reports and compliance testing reports		
<input type="radio"/> Reconfirm ESOP plan audit dates (if applicable)		
<input type="radio"/> Post-allocation meeting with TPA		
<input type="radio"/> Conduct employee meetings		
<input type="radio"/> Deliver participant statements		
<input type="radio"/> Determine distribution and diversification eligibility amounts		
<input type="radio"/> Deliver distribution and diversification packages to eligible participants		





June: Distributions, Diversifications, and Plan Audit

The swell of administrative work in March, April, and May is receding, as distributions and diversification elections are processed this month. If the ESOP needed an audit this year, that ought to be wrapping up, and you can expect a report — and possible action steps — soon.

Ownership Culture Opportunity

June is often a terrific time of year for a company picnic, outing, or field day. Make the most of it by tying in a simple communication on the value of your ESOP benefit to participants.

Task	Assignee	Due Date
<input type="radio"/> Distribution and diversification election windows close		
<input type="radio"/> Election forms are reviewed and Advice to Trustee Report is prepared		
<input type="radio"/> Diversification election amounts are processed (within 90 days following election period or 180 days after the plan year end)		
<input type="radio"/> Distribution elections are processed		
<input type="radio"/> ESOP plan audit completed	Accounting firm	



July: Summary Plan Document and/or Summary of Material Modification(s)

The focus is on compliance and reporting in July. Look to your TPA to ensure you have all the documentation required to meet filing deadlines.

Task	Assignee	Due Date
<input type="radio"/> File IRS Form 5500, IRS Form 8955-SSA, appropriate schedules, and audit report (if needed) if not extended		July 31
<input type="radio"/> Due date for delivery of participant statement is the same as the due date for the IRS Form 8955-SSA if not extended		July 31
<input type="radio"/> If the Summary Plan Document was updated or a Summary of Material Modification was prepared, deliver it to all participants within 210 days after the close of the plan year in which updates or modifications were adopted*		

***NOTE:** An ESOP is required to provide all participants with an updated Summary Plan Document at least every five years, even if there have been no amendments during that time





Look ahead to Employee Ownership Month in October. Does your company have an ESOP culture or communication committee? An empowered committee of ESOP participants, helping other participants understand and value this unique qualified benefit, can be a particularly effective way to support and enhance your ESOP.

If you don't already have an ESOP committee, you might consider requesting candidate applications when you distribute the Summary Annual Report.

Task	Assignee	Due Date
Corporate tax return due if extended		September 15
Prior year accrued contributions must be deposited in the ESOP trust by corporate tax return filing*		September 15 if extended September 30 if the IRS Form 5500 was not extended
Deliver Summary Annual Report to ESOP participants**		

***NOTE:** If contributions are made in stock, the company's board must authorize in-kind contribution, and stock certificates must be issued to the ESOP trust

****NOTE:** Summary Annual Report is due no later than nine months after the close of the plan year or two months after the extended due date of IRS Form 5500





That “includes allocated and yet-to-be allocated ESOP shares, stock options, warrants, or similar interests or rights that provide a participant with the opportunity to receive stock.”

Promote Ownership Culture

October is a great time to promote your ESOP, both inside the company and to your community neighbors. Show appreciation for your employee-owners, and look for ways to help the community recognize the lasting impact an ESOP company can have on a local economy.

Task	Assignee	Due Date
<ul style="list-style-type: none"> Perform preliminary 409(p) compliance testing for S corporations <ul style="list-style-type: none"> Projected contributions Projected share release 		
Perform ESOP repurchase obligation forecasting and planning		
Revisit distribution policy		
File IRS Form 5500, IRS Form 8955-SSA, appropriate schedules, and audit report (if needed)		October 15 if filing was extended





November: Reflect, Update, and Amend

Sometimes, change is needed. One of the most important ways an expert TPA can help is to make sure your ESOP is always on track, and that if you have to make course corrections, you do so as soon as possible and with the best possible advice.

A third-party administrator is dedicated to the sustainability and longevity of your ESOP. That means your ESOP's best interests truly are their best interests.

Task	Assignee	Due Date
<input type="radio"/> Contact ESOP counsel to: <ul style="list-style-type: none">• Draft any needed ESOP amendments• Prepare documents for current year ESOP transactions, if applicable		
<input type="radio"/> New ESOP stock purchase from outside shareholders		
<input type="radio"/> Re-leveraging former redeemed shares		



December: Back to the Beginning

As you wrap up the year, be sure to make notes of what worked, what needs work, and where your team could benefit from some expert help.

Even at the end of a solid year of performance, a brief conversation with experts at an experienced TPA can shine a light on things you could do even better next year. Remember, the sooner you start planning for success, the more likely you are to achieve it. Get in touch with an expert at ESOP Partners by reaching out today.

CONTACT US

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