United States General Accounting Office

GAO

Report to the Chairman, Subcommittee on Labor-Management Relations, Committee on Education and Labor, House of Representatives

December 1990

EMPLOYEE STOCK OWNERSHIP PLANS

Participants' Benefits Generally Increased, but Many Plans Terminated

142845

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Human Resources Division

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December 10, 1990

The Honorable William L. Clay
Chairman, Subcommittee on Labor-Management
Relations
Committee on Education and Labor
House of Representatives

Dear Mr. Chairman:

This is our second report in response to your request for information on the benefits participants receive from Employee Stock Ownership Plans (ESOP). You asked that we determine (1) the value of ESOP participants' accounts, (2) how much company stock participants are receiving, and (3) how benefits are allocated among participants. Because of your interest in ESOPs established after 1984, our first report focused on nine plans that had been in operation for only 2 to 3 years.[1] This report focuses on 156 ESOPs we surveyed that, on average, had been in operation for over 9 years.

Results in Brief

Retirement incomes are more predictable if they are based on a diversified portfolio of investments, and federal law requires such diversification in most employer-sponsored retirement programs. In contrast, the value of an ESOP is tied to the performance of the sponsoring company so that the retirement incomes provided by ESOPs are less predictable. As would be expected, the performance of the surveyed ESOPs varied widely; some plans had virtually no reported assets while others had substantial asset values. Moreover, 59 percent of the companies in our survey provided no retirement benefits other than those derived from their ESOP.

On average, individual balances in the ESOPs we sampled were smaller than the average balance in other employer-provided individual accounts, but these balances had grown more rapidly from 1981 to 1987. The average value in the surveyed ESOPs was $4,390 in 1981 and $12,977 in 1987. The average value of defined contribution pension fund balances in 1987 was $14,339.

[1] Employee Stock Ownership Plans: Allocation of Assets in Selected Plans (GAO/HRD-89-91, June 5, 1989).

Ninety-eight percent of ESOPs (as well as most other pension plans) allocated benefits in proportion to compensation. Consequently, highly compensated employees accrued vested[2] account balances that were, on average, over 4 times greater than other vested participants. ESOP participants' ownership of sponsoring company stock also rose during the 1981-87 period, from a median of 8 to 23 percent.

The increase in account balances during this period may not be indicative of longer term benefits or reflective of all ESOPs' performance. A total of 164 (30 percent) of the 541 ESOPs sponsored by active companies had been terminated.[3] This rate of termination was higher than that found in a previous GAO study and substantially higher than reported national trends for other types of pension plans.

Background

The Congress enacted the Employee Retirement Income Security Act of 1974 (ERISA) to help protect participants' pension benefits. ERISA established minimum standards to ensure that (1) eligible employees have an opportunity to participate in the pension plans, (2) plans are operated in the best interest of their participants, and (3) employees do not have to work an unreasonable number of years before vesting. If participants leave before they are fully vested, they forfeit the nonvested portion of their accounts.

ESOPs are recognized under ERISA as a type of defined contribution plan.[4] Defined contribution plans place the risk of investment on the participant, not the employer, as in defined benefit plans.[5] While certain defined contribution plans may invest in employer securities, only ESOPs are designed to invest primarily in the securities of the sponsoring company. As such, ESOPs present a greater investment risk to participants than other types of defined contribution plans because plan assets are

[2]Participants gain a legal right to receive earned benefits, or vest, after working a specified number of years. Prior to 1989, participants generally became fully vested after 10 or 15 years. Beginning with pension plan year 1989, participants generally must be fully vested in 5 to 7 years.

[3]Of the 606 plans in our original sample, 45 were sponsored by companies that had gone out of business, and 20 had either been converted to another type of plan or the sponsoring company was a subsidiary of a company with an ESOP. We did not include these 65 plans in calculating the termination rate.

[4]ERISA recognizes two major types of pension plans—defined benefit and defined contribution plans. The benefits from a defined contribution plan are based on the amount of money accumulated in each participant's account.

[5]In a defined benefit plan, benefits are established in advance by a formula, generally based on such factors as years of employment, age, and compensation.

not diversified. In contrast, defined benefit plans are generally not permitted to acquire or hold employer securities in excess of 10 percent of plan assets.

ESOPs have multiple purposes. In addition to providing retirement or deferred income to participants, ESOP legislation specifies their purposes as providing a means of corporate finance and transferring stock ownership to employees. To encourage the establishment of ESOPs, the Congress enacted legislation that exempts ESOPs from some of the requirements ERISA imposes on other similar plans and gives ESOPs tax incentives greater than those afforded other defined contribution plans. Leveraged ESOPs,[6] unlike other plans, may use borrowed funds to purchase employer securities. Until recently, lending institutions that made loans to ESOPs could exclude 50 percent of the interest earned.[7] In addition, ESOP sponsors may deduct from corporate income dividends paid on stock owned by an ESOP.

Since 1980, GAO has issued six reports that have assessed ESOPs' performance (see p. 32). Overall, GAO concluded that ESOPs have moved in the direction of meeting their legislative goals of broadening stock ownership and providing an alternative means to finance capital growth. These reports also concluded that ESOPs generally have not (1) improved the productivity or profitability of sponsoring companies, (2) been used to promote capital formation, or (3) led to a high degree of employee control over or participation in corporate management.

Scope and Methodology

To obtain data on participants' ESOP benefits, we mailed a questionnaire to 606 ESOPs that had been identified through a 1985 GAO survey. We asked companies for data through 1987, the most recent year for which complete plan information was available.

[6]ERISA recognized leveraged ESOPs and authorized the plan trust to borrow funds to purchase employer securities, usually company stock. The sponsoring company can use the money raised through this stock sale to finance capital formation, pay off loans, or meet other financial obligations. Funds used to repay the debt are treated as contributions to an employee plan and are deductible from pretax corporate income.

[7]Generally, for loans made after July 10, 1989, this tax advantage was limited by the Omnibus Budget Reconciliation Act of 1989. Lending institutions are no longer entitled to the 50-percent exclusion unless the ESOP owns more than 50 percent of each class of outstanding stock or more than 50 percent of the total value of the corporation and full voting rights are passed through to stock acquired with the loan.

Responses to our questionnaire indicated that only 377 (62 percent) of the 606 plans were active at the time of our survey. We received reasonably complete data from 156 (41 percent) of these plans. The 156 ESOPs had over 73,000 participants and assets totaling over $856 million. (See app. III.) At 91 of the responding companies (59 percent)[8] the ESOP was the only pension plan offered.

We had planned to assess whether certain company and plan characteristics affected the level of benefits participants received and the allocation of these benefits. However, because of the low response rate, we were unable to do this analysis. As a result, our study is limited to describing the range of benefits participants have received, rather than also explaining why these differences occurred, as we had planned.

The results of our study apply to the 156 plans, and cannot be generalized to the universe of ESOPs. Also, some of the 156 plans did not provide all of the data requested. Consequently, some of the analyses are based on fewer than 156 responses. Most notably, 21 plans did not provide complete information on how plan assets were allocated among participants. We collected data for this study during December 1989 through April 1990, but did not independently verify the data companies submitted. We did our work in accordance with generally accepted government auditing standards. (See app. I for details of the sampling and survey procedures used.)

Participants' Account Values Have Increased

Through our questionnaire, we examined the extent of growth in participants' ESOP benefits during the 6-year period (1981-87). We found that the average participant's account balance almost tripled, from $4,390 in 1981 to $12,977 in 1987. Compared with all defined contribution plans, the average ESOP account balances were lower, but were growing at a faster rate. Based on Department of Labor statistics, the average value of a defined contribution plan participant's account balance grew about 1.6 times, from $8,896 in 1981 to $14,339 in 1987.

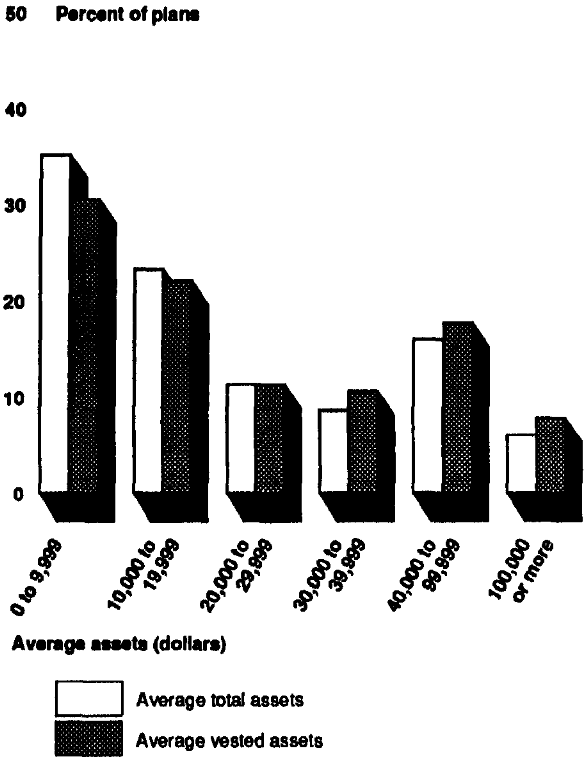
ESOP participants' average account balances varied considerably among the 156 plans—ranging from $0[9] to $387,472. As shown in figure 1, in 35 percent of the plans, participants had, on average, account balances

[8]The companies responding to our survey numbered 155; one company sponsored two ESOPs.

[9]Officials for two plans in our sample told us their ESOPs had $0 assets in 1987 because their companies' stock was worthless.

of less than $10,000, while in 6 percent of the plans participants had average balances of $100,000 or more.

Figure 1: Comparison of Average Account Balances (1987)

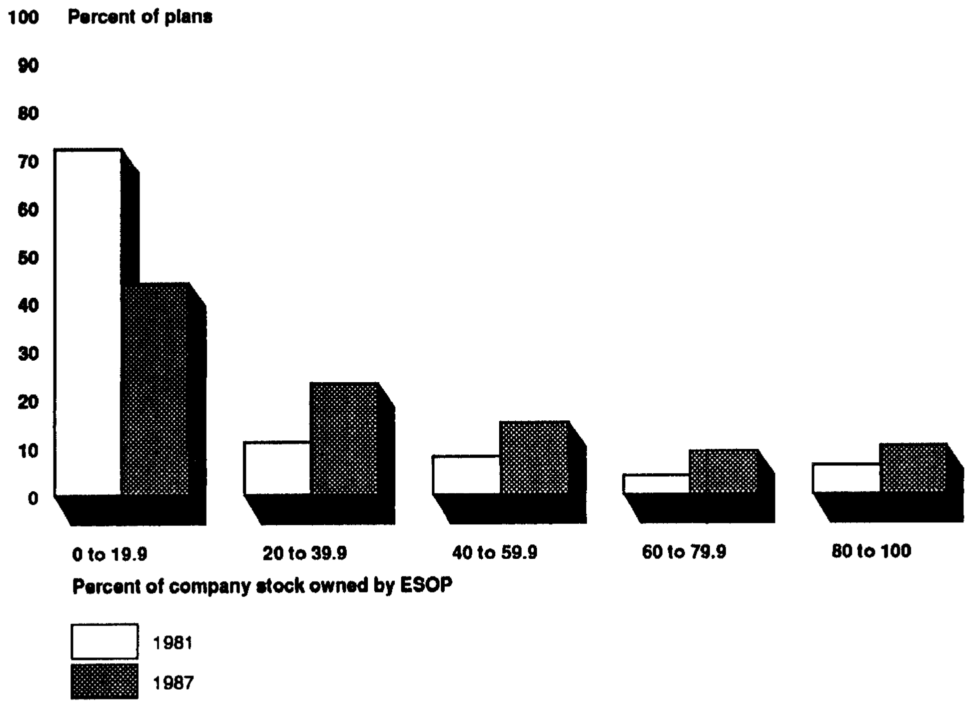


By 1987, the average vested participant had an account balance of $22,756—considerably more than the average account balance for all participants (vested and nonvested) in the same year. Generally, these vested participants had been in the plans longer and thus had accrued greater benefits.

Participants' Share of Company Stock Has Increased

As with participant account balances, the median percentage of ownership of sponsoring company stock also nearly tripled between 1981 and 1987. During that period, the median ownership of outstanding company stock for plans we analyzed increased about 170 percent—from 8 to 23 percent. ESOPs' ownership of outstanding company stock in 1987 ranged from 0[10] to 100 percent. As shown in figure 2, in 1987, 44 percent of the plans owned less than 20 percent of their companies' outstanding stock, while 10 percent of the plans owned 80 percent or more.

Figure 2: Comparison of Company Stock Owned by ESOPs in 1981 and 1987



ESOPs sponsored by privately held companies owned a higher percentage of outstanding company stock in 1987 than those sponsored by publicly traded companies. Plans sponsored by privately held companies, which comprised 87 percent of our respondents, held a median of 27 percent of outstanding company stock. In contrast, the 13 percent of ESOPs sampled that were sponsored by publicly traded firms had a median ownership of outstanding company stock of 4 percent.

[10]Five percent of the responding plans had no shares of stock. Contributions to participants' accounts may be made in either cash or employer securities.

Highly Compensated Participants Received Greater Benefits

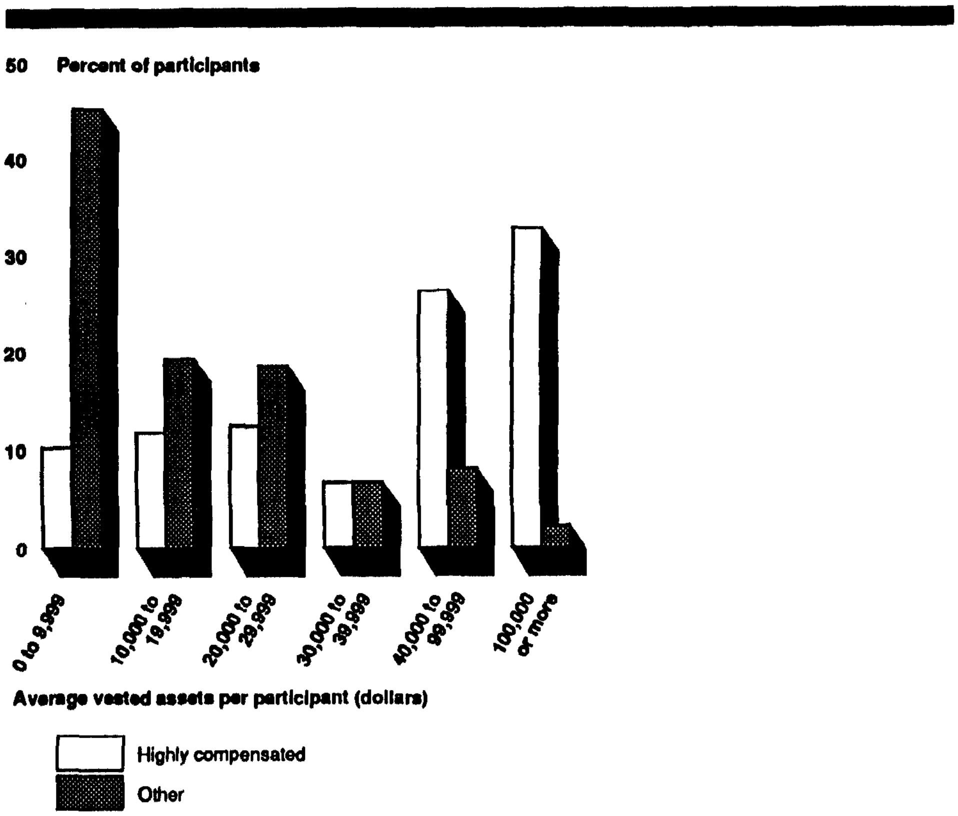
Average account balances do not provide a complete measure of the benefits participants are receiving, because employers rarely allocate the same dollar amount to each employee account. Pension benefits are generally based on employee salaries, with some employers adding credit for years of service. When benefit formulas are based on salary, higher paid participants will receive a higher percentage of plan assets than those paid less. Of the 156 ESOPs, 153 (98 percent) allocated contributions based on salaries or on salaries adjusted for years of service.

To measure how assets are concentrated among ESOP participants, we asked companies to group participants into two categories—highly compensated[11] and other. We found that highly compensated participants of plans in our study held, on average, over 4 times as much in vested assets as other participants. The average vested account balance for highly compensated participants in 1987 was $73,526, compared to $16,387 for other participants. Those highly compensated comprised an average of 8 percent of total vested participants, but held an average of 32 percent of total vested assets.

As shown in figure 3, 10 percent of the highly compensated participants had average vested account balances less than $10,000, and 33 percent had account balances of $100,000 or more. By comparison, 45 percent of the other participants had average balances of less than $10,000, and 2 percent had average balances of $100,000 or more.

[11] We used the definition of "highly compensated employee" found at subsection 414 (q) of the Internal Revenue Code, which includes any employee who (1) owned 5 percent or more of the company, (2) received compensation from the company in excess of $75,000, (3) received compensation from the company in excess of $50,000 and was in the top 20 percent of compensated employees, (4) was at any time during the year an officer of the company who received in excess of $45,000, or (5) when no officer earns more than $45,000, the highest paid officer.

Figure 3: Comparison of Highly Compensated and Other Participants' Vested Account Balances (1987)

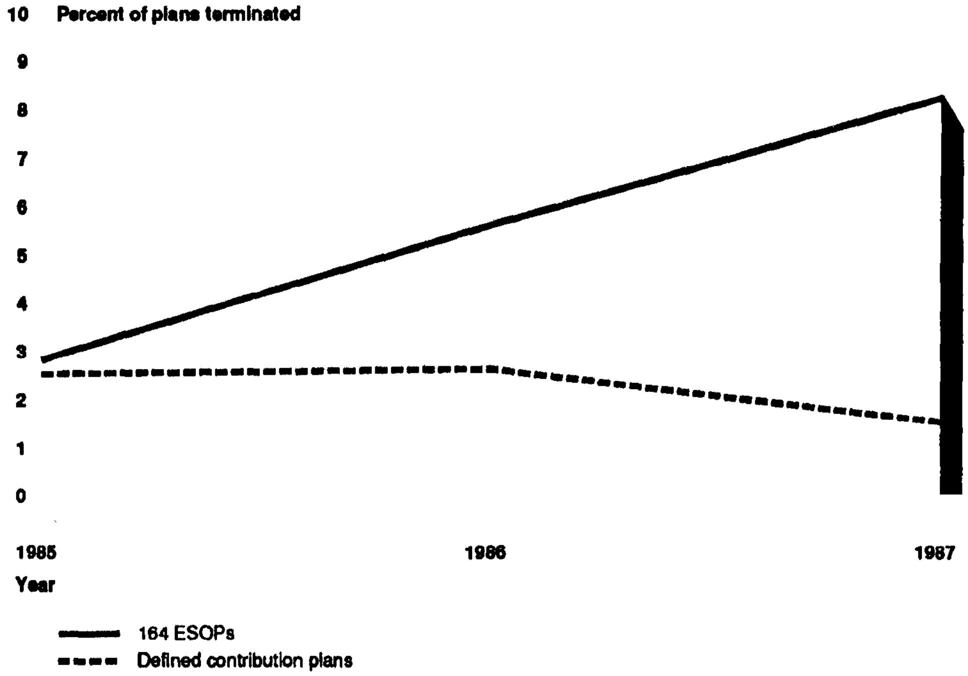


Plan Terminations for ESOPs Higher Than Other Defined Contribution Plans

Of the 541 ESOPs sponsored by active companies, 164 (30 percent) had been terminated. This termination rate is considerably higher than the 15-percent rate for the period 1979-85 we noted in a previous ESOP report.[12] Also, as shown in figure 4, this rate is substantially higher than reported national data on terminations of defined contribution plans during 1985-87, the only period for which we had comparable data.

[12]Employee Stock Ownership Plans: Benefits and Costs of ESOP Tax Incentives for Broadening Stock Ownership (GAO/PEMD-87-8, Dec. 29, 1986).

Figure 4: Comparison of ESOP Terminations With All Defined Contribution Plan Terminations



Source: For ESOPs: GAO survey. For defined contribution plans: Trends in Pensions, U.S. Department of Labor, Pension and Welfare Benefits Administration, 1989.

Concluding Observations

Among the ESOPs responding to our survey, participants generally fared well during the period 1981-87, with account balances nearly tripling. However, because ESOPs are not required to diversify investments, participants relying on them for retirement benefits face a greater risk than those covered by other plans that diversify investments. The wide range of average account balances, with some balances nearly worthless, demonstrates the risk associated with linking employees' retirement security directly to the performance of the sponsoring company. Further, the higher than expected termination rate of ESOPs calls into question whether current plan participants will ultimately receive a significant retirement benefit from their ESOP. These risks are especially significant at companies, such as the 91 in our sample, where the ESOP was the only company retirement plan available to employees.

Unless you publicly announce its contents earlier, we plan no further distribution of this report for 10 days. At that time, we will send copies to interested parties upon request. If you have questions concerning this report, please call me on (202) 275-5365. Other major contributors to this report are listed in appendix IV.

Sincerely yours,

Gregory J. McDonald
Associate Director,
Income Security Issues

Contents

Abbreviations

ERISA	Employee Retirement Income Security Act of 1974
ESOP	Employee Stock Ownership Plan

Survey Design and Sampling Methodology

We gathered data on ESOPs through a survey conducted from December 1989 to April 1990. We designed a mail questionnaire for this survey to ensure that the data collected were consistent. (A copy of the questionnaire is included as app. II.) We pretested the questionnaire at a judgmentally selected sample of companies in Georgia in September 1989. As a result, we modified the questionnaire for clarity. Using this questionnaire, we collected data on the value of participants' accounts, the amount of stock ownership participants had acquired, and how benefits are allocated in these plans.

Sample Obtained From Previous GAO Study

The sampling frame we used was based on our previous work. In 1985, we used a two-wave survey to obtain data on a stratified random sample of 2,004 defined contribution plans. These plans were selected from a universe of 8,891 that were identified as having ESOP features, using Form 5500 reports filed with the Internal Revenue Service.[1] The number of plans identified through the initial survey, by stratum, are shown in table I.1.

Table I.1: Plans Identified as ESOPs in Previous GAO Study, by Stratum

Dollars in thousands

Stratum	Participants	Assets	ESOPS
1	10,000+	$30,000+	46
2	10,000+	0–30,000	61
3	0–10,000	30,000+	44
4	0–10,000	10,000–30,000	64
5	0–10,000	1,000–10,000	215
6	0–10,000	200–1,000	247
7	0–10,000	50–200	186
8	0–10,000	0–50	137
9	0–10,000	0	114
Total			**1,114**

The Tax Reform Act of 1986 repealed tax credits for ESOPs,[2] effective December 31, 1986. Therefore, the scope of our current study was designed to include only non-tax-credit ESOPs. The 1,114 plans GAO had

[1] ERISA requires most employee benefit plans to file annual reports with the Internal Revenue Service showing various financial, actuarial, and demographic data. Plans report information by using the Form 5500 series (Annual Return/Report of Employee Benefit Plan). Before 1988, the Form 5500 asked if the plan had ESOP features; not all plans with ESOP features are ESOPs. Beginning in 1988, the Form 5500 asks if the plan is an ESOP.

[2] Tax credits for ESOPs originated in the Tax Reduction Act of 1975, which allowed employers to claim a tax credit for contributions to an ESOP.

identified as ESOPs included 606 then-active non-tax-credit plans, which we used as the sample for the current study.[3]

Adjusted Sample and Response Rates

In conducting our survey, we determined that 229 of the 606 plans should not have been included in our sample. Of these, 164 had been terminated, and 45 of the sponsoring companies had gone out of business. For the remaining 20, either they had been converted to another type of plan or the sponsoring company was a subsidiary of a company with an ESOP. As a result, we removed these plans from our initial sample for an adjusted total of 377 plans. We calculated our response rate using this revised total. (See table I.2.)

Table I.2: Response Rates for ESOPs Surveyed

Stratum	Sample	Adjusted sample	Responses received	Response rate (percent)
1	11	8	1	12
2	1	0	0	0
3	4	1	1	100
4	41	25	6	24
5	96	50	23	46
6	129	75	31	41
7	176	115	54	47
8	132	93	35	37
9	16	10	5	50
Total	**606**	**377**	**156**	**41**

To maximize our response rate, we followed up with mail inquires to obtain questionnaire responses. After we mailed the questionnaire in December 1989, we sent two follow-up letters to nonrespondents during January and February 1990; the second letter contained another copy of the questionnaire. We kept the response period open about a month longer than planned to give companies more time to provide the data without adversely affecting their normal operations.

After receiving the questionnaire responses, we performed statistical tests to determine whether the respondents differed from the nonrespondents with respect to the distribution of selected company

[3]Of the remaining 508 plans, 385 were tax-credit ESOPs. For the other 123, either they had been terminated, or the sponsoring company was out of business.

and plan characteristics.[4] This analysis showed significant differences between respondents and nonrespondents when comparing plan types and company size. These differences, combined with the low response rate, prevent us from generalizing our results to the universe of ESOPs.

[4] We compared respondents and nonrespondents using the following characteristics: type of ESOP, size of company, type of company, geographic region, type of industry, and asset/participant strata.

Survey of ESOP Benefits and Participants

United States General Accounting Office

Survey Of ESOP Benefits and Participants

Instructions

This survey asks questions about the following Employee Stock Ownership Plan (ESOP):

PLACE LABEL HERE

Please read each question carefully and answer **ONLY** for this ESOP.

The questions are divided into four parts. The first, Part I, asks general questions about your company. Part II asks questions about ESOP participation and vesting. Part III asks about ESOP contributions, allocations and participant account balances. Finally, Part IV asks about the company's stock and ESOP ownership of that stock.

Please note that several questions ask for 1981 data *OR* data from the first year this plan was established, if later than 1981. And, when responding to questions asking for dollar values, please round the amount to the nearest dollar value.

When you have completed all of the questions, place this form in the addressed envelope and mail it as soon as possible. If you have any questions or problems, call Deborah Ortega or Billy Bowles in our Dallas, TX, office, collect, at (214) 855-2600.

Before you begin, please provide the NAME, TITLE and TELEPHONE NUMBER of the person completing this survey in the event there are additional questions:

NAME: ______________________________

TITLE: ______________________________

TELEPHONE: (___) ___ - _________

PART I: General Information

This first set of questions asks for general information about your company and the ESOP it sponsors.

1. How many years has your company been in business?

   ____
   (Years)

2. Is your company's stock privately held or publicly traded? *(Check one)*

   1. ☐ Privately held
   2. ☐ Publicly traded

3. In which month and year was this ESOP established?

   _____/_____
   (Month/ Year)

4. Has this ESOP been terminated? *(Check one)*

   1. ☐ No ——→ **GO TO QUESTION 5**

   2. ☐ Yes

   4a. What was the date of termination?

   _____/_____
   (Month/ Year)

IF THE PLAN HAS TERMINATED, STOP! THIS ENDS THE SURVEY. PLEASE PLACE THIS FORM IN THE ADDRESSED ENVELOPE AND MAIL IT TODAY. THANK YOU!

5. Does this ESOP authorize borrowing funds for the purpose of purchasing employer securities? *(Check one)*

   1. ☐ Yes
   2. ☐ No

6. Has this ESOP ever purchased employer securities with borrowed funds? *(Check one)*

   1. ☐ Yes
   2. ☐ No

7. In addition to this ESOP, does your company have any of the following: *(Check one for each type.)*

	Yes	No
1. Defined contribution pension plan, where company makes *a* contribution?		
2. Defined contribution pension plan, where company makes *no* contribution?		
3. Defined benefit pension plan?		

8. What was the value of your company's assets reported for tax year 1987? [See 1987 U.S. Corporation Income Tax Return, Form 1120, Schedule L, line 14, columns (b) and (d).]

   $________________
   Assets (Beg yr) [line 14b]

   $________________
   Assets (End yr) [line 14d]

9. Enter your company's TAXABLE INCOME, TOTAL TAX and AFTER-TAX INCOME for tax year 1987. (See 1987 U.S. Corporation Income Tax Return, Form 1120, line 30 less line 31.)

   $________________
   Taxable Income [line 30]

   – $________________
   Total Tax [line 31]

   = $________________
   After-Tax Income

PART II: Participation and Vesting

This section asks questions about your company's **HIGHLY COMPENSATED AND OTHER EMPLOYEES**, and their participation in the ESOP. **HIGHLY COMPENSATED** is defined by *Internal Revenue Code 414(Q)*, and consists of any employee who during your company's fiscal year: (1) owned 5% or more of the company, (2) received compensation from the company in excess of $75,000, (3) received compensation from the company in excess of $50,000 and was in the top 20% of compensated employees, (4) was at any time during the year an officer of the company who received in excess of $45,000, or (5) when no officer earns more than $45,000, the highest paid officer.

10. In the matrix below, for fiscal year 1981, or the year your ESOP was established if after 1981, please enter the number of HIGHLY COMPENSATED and OTHER EMPLOYEES who (1) were eligible and did participate in the ESOP and (2) were employed by your company, in total. (Please enter the year if it is NOT 1981.)

	1981 or 198__	
	Highly Compensated	Other Employees
1. Eligible and participating		
2. Total Employees		

11. In the matrix below, please enter the number of HIGHLY COMPENSATED and OTHER EMPLOYEES for fiscal year 1987 who: (1) were eligible and did participate in the ESOP, (2) were eligible to participate in the ESOP but did not, (3) were *not* eligible to participate in the ESOP, and (4) were employed by your company, in total.

	1987	
	Highly Compensated	Other Employees
1. Eligible and participating		
2. Eligible but not participating		
3. Not eligible		
4. Total Employees		

12. Are any of your employees members of a union? *(Check one)*

1. ☐ No ——→ **SKIP TO QUESTION 14**
2. ☐ Yes ——→ **GO TO QUESTION 13**

13. Were any of the employees listed as NOT ELIGIBLE in Question 11 excluded because they were covered by a collective bargaining agreement? *(Check only one.)*

1. ☐ All employees are eligible ——→GO TO QUESTION 14
2. ☐ No employees excluded by collective bargaining agreement ——→GO TO QUESTION 14
3. ☐ Yes

13a. How many of each type employee were excluded?

Highly Compensated ________ (Number)

Other Employees + ________ (Number)

Total Excluded ________ (Number)

14. In fiscal year 1987, how long was an employee required to work to become 100 percent vested in ESOP benefits? *(Check one)*

1. ☐ Immediate Vesting
2. ☐ Other ______ (Total Years)

15. When the ESOP was established, did the plan authorize credit for past service in determining a participant's vesting status? *(Check one)*

1. ☐ Yes
2. ☐ No

16. In the matrix below, please enter the number of Highly Compensated and Other Participants who were FULLY VESTED, PARTIALLY VESTED, or NOT VESTED; and TOTAL PARTICIPANTS at the end of fiscal years 1985, 1986, and 1987.

Participant Vesting Status

	Fully Vested	Partially Vested	Not Vested	Total Participants
1985				
1. Highly Compensated				
2. Other Participants				
1986				
3. Highly Compensated				
4. Other Participants				
1987				
5. Highly Compensated				
6. Other Participants				

17. In the matrix below, please enter the number of Highly Compensated and Other Participants who were terminated in fiscal years 1985, 1986, and 1987 by their vesting status: FULLY VESTED, PARTIALLY VESTED, or NOT VESTED; and the TOTAL TERMINATED.

Terminated Vesting Status

	Fully Vested	Partially Vested	Not Vested	Total Terminated
1985				
1. Highly Compensated				
2. Other Participants				
1986				
3. Highly Compensated				
4. Other Participants				
1987				
5. Highly Compensated				
6. Other Participants				

PART III: Contributions and Allocations

This section asks about ESOP contributions, allocations, and participant account balances.

18. For fiscal year 1987, what was the primary factor which determined the amount of contributions your company made to the ESOP? *(Check one)*

1. ☐ Company profits
2. ☐ ESOP loan obligation
3. ☐ Percent of payroll
4. ☐ Other: *(Please Describe)* ____________________

19. In fiscal year 1987, which of the following methods was provided in your plan document to allocate and reallocate contributions and forfeitures to each ESOP participant's account? *(Check method used for contributions and forfeitures.)*

	Contributions	Forfeitures
1. Allocated in proportion to wages/salaries		
2. Allocated in proportion to wages/salaries, and adjusted for years of service		
3. Allocated equally to each participant		
4. Other: *(Please Describe)* ____________________		

20. When this ESOP was established, or at any time since it was established, have funds from a terminated pension plan been transferred to the ESOP? *(Check one)*

    1. ☐ No ——→ GO TO QUESTION 21
    2. ☐ Yes

    20a. What was the total amount of funds transferred to the ESOP from the terminated plan?

    $ ____________________
    (Amount)

21. What were the total contributions your company made to the ESOP in the year it was established? (Enter the year established and the amount contributed)

    19____ (year) $ ____________________ (Amount)

22. For any of the following fiscal years that your company made contributions to the ESOP, enter the amount. Do not include forfeitures or funds transferred to the ESOP from a terminated pension plan. If no contributions were made, enter zero. Leave years prior to establishment of the ESOP blank.

FY 1976 $__________	FY 1982 $__________
FY 1977 $__________	FY 1983 $__________
FY 1978 $__________	FY 1984 $__________
FY 1979 $__________	FY 1985 $__________
FY 1980 $__________	FY 1986 $__________
FY 1981 $__________	FY 1987 $__________

23. Has your company paid dividends directly to participants on stock held by the ESOP since the plan was established? *(Check one)*

    1. ☐ Yes
    2. ☐ No

24. In the following matrix, please enter the total account balances (vested and nonvested) for ESOP Highly Compensated and Other Participants at the end of fiscal years 1981, or the year your ESOP was established if after 1981, and 1987.

Vested and Nonvested Account Balances

	Company Stocks	+	Other Assets	=	Total
1981 or 198__					
1. Highly Compensated	$		$		$
2. Other Participants	$		$		$
1987					
3. Highly Compensated	$		$		$
4. Other Participants	$		$		$

25. In the matrix below, please enter the fiscal year 1987 **vested** account balances for fully and partially vested Highly Compensated and Other Participants.

Vested Account Balances, 1987

	Company Stocks	+	Other Assets	=	Total
Fully Vested					
1. Highly Compensated	$		$		$
2. Other Participants	$		$		$
Partially Vested					
3. Highly Compensated	$		$		$
4. Other Participants	$		$		$

PART IV: ESOP Ownership of Company Stock

This section asks about your company's stock and ESOP ownership of that stock.

26. Please enter the number of shares of ALL outstanding company common and preferred stock, and total shares at the end of fiscal years 1981, or the year the ESOP was established if after 1981, and 1987. (Include ALL shares, not just those held by the ESOP.)

Outstanding Stock

Fiscal Year	Common	+	Preferred	=	Total
1. 1981 or 198__					
2. 1987					

27. Has your company experienced any stock splits since 1981? *(Check one)*

1. ☐ Yes
2. ☐ No

28. Has your company established a target for the percentage of company stock the ESOP should own? *(Check one)*

1. ☐ No ——→**GO TO QUESTION 29**
2. ☐ Yes

28a. Indicate whether this target includes a Minimum or Maximum percentage, or both, and the amount of each target percentage:

1. ☐ Minimum........ %______
2. ☐ Maximum....... %______

29. In the following matrix, enter the **FAIR MARKET VALUE** of a share of **company stock** for fiscal year 1981, or the year the ESOP was established if after 1981, and 1987. Round values to the nearest dollar.

	Fair Market Value (Per Share)	
Class of Stock	1981 or 198__	1987
1. Common	$	$
2. Preferred	$	$

30. In the following matrix, enter the number of shares of Common and Preferred stock, and the Total Shares of stock allocated to ESOP participant accounts by Highly Compensated and Other Participants for fiscal year 1981, or the year the ESOP was established if after 1981, and fiscal year 1987:

	1981 or 198__		1987	
	Highly Compensated	Other Participants	Highly Compensated	Other Participants
1. Shares of Common Stock				
2. Shares of Preferred Stock				
3. Total Shares				

31. Check each source from which the ESOP purchased company stock and enter the number of shares purchased from each source, since the ESOP was established. (*A *MAJOR STOCKHOLDER* is someone who owned five percent or more company stock when the purchase was made.)

1. ☐ Treasury Stock ______ (Shares)
2. ☐ Public Market ______ (Shares)
3. ☐ New Issue of Stock ______ (Shares)
4. ☐ *Major Stockholder ______ (Shares) → ANSWER QUESTIONS 31a and 31b BELOW
5. ☐ Other ______ (Shares)

*(Please Describe)*________________________

31a. Were any of these major stockholders managers in the company in fiscal year 1987?

1. ☐ Yes
2. ☐ No

31b. Were any of these major stockholders participants in the ESOP in fiscal year 1987?

1. ☐ Yes
2. ☐ No

32. What percent of the total voting strength in your company's stock was controlled by the ESOP at the end of fiscal year 1987?

______ (Percent)

**STOP! THIS ENDS THE SURVEY...
PLEASE PLACE THIS FORM IN
THE ADDRESSED ENVELOPE
AND MAIL IT TODAY.
THANK YOU!**

Selected ESOP Characteristics by Plan Size, as of 1987

Dollars in thousands

	Plans		Participants		Assets	
Number of participants	**Number**	**Percent**	**Number**	**Percent**	**Total**	**Percent**
1 to 24	51	33	534	1	$18,261[a]	2
25 to 99	58	37	3,181	4	87,203	10
100 to 499	25	16	4,757	6	120,853[b]	14
500 and over	20	13	65,256	89	627,600[a]	73
Unknown	2	1	•	•	2,411	1
Total	**156**	**100**	**73,728**	**100**	**$856,328**	**100**

[a]One plan in this category did not provide asset data; therefore, the $856.3 million total asset value for the 156 plans is understated.

[b]Two plans in this category did not provide asset data; therefore, the $856.3 million total asset value for the 156 plans is understated.

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Employee Stock Ownership Plans: Little Evidence of Effects on Corporate Performance (GAO/PEMD-88-1, Oct. 29, 1987).

Employee Stock Ownership Plans: Benefits and Costs of ESOP Tax Incentives for Broadening Stock Ownership (GAO/PEMD-87-8, Dec. 29, 1986).

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Employee Stock Ownership Plans: Who Benefits Most in Closely Held Companies? (GAO/HRD-80-88, June 20, 1980).

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