

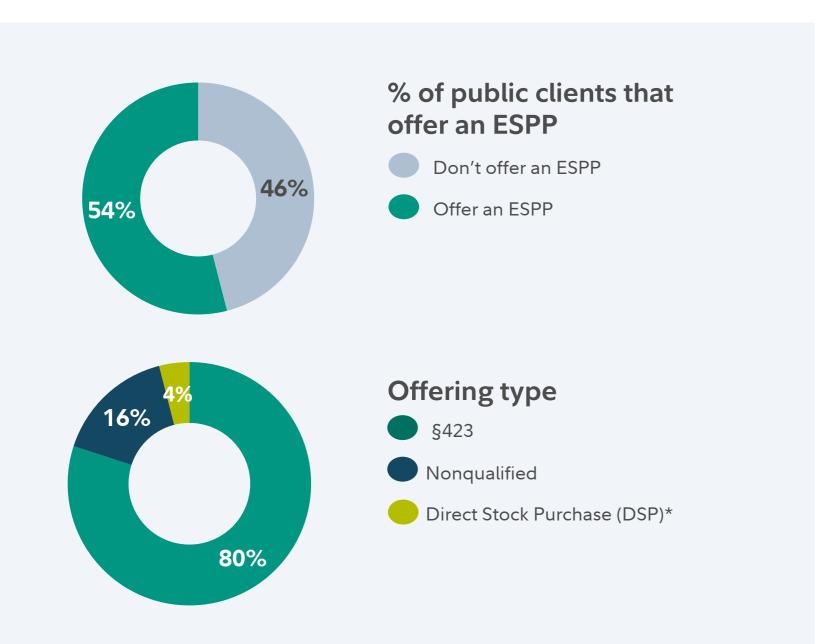
STOCK PLAN SERVICES

# ESPP data analysis





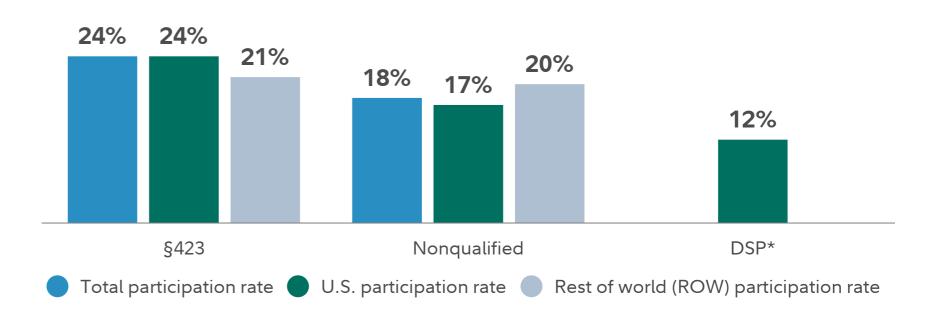
### ESPP plan design



#### **Direct Stock Purchase Plans (DSP)**

DSPs have no discount, lookback or match. They just allow the purchase of stock through payroll deductions.

#### Participation by offering type

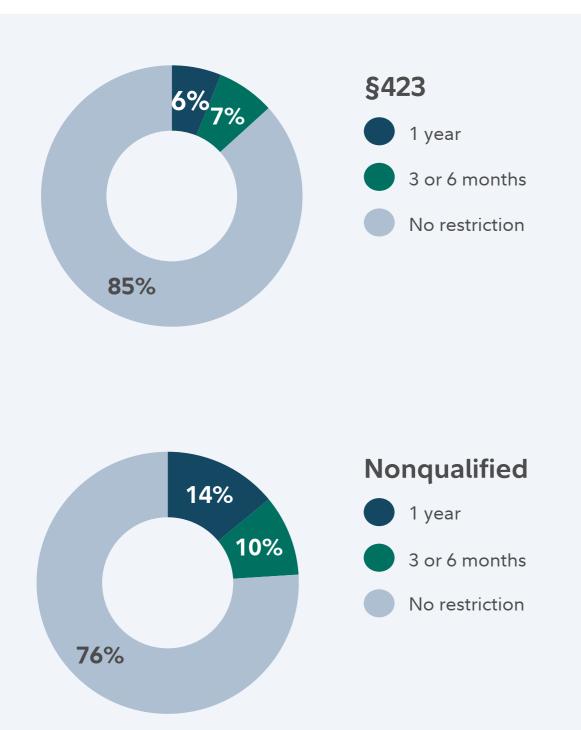


#### **Insights**

- Rising prevalence: ESPP prevalence continues to increase, with 54% of public clients offering an ESPP.
- §423 vs. NQ: Plan design is a larger driver of participation than tax qualification. Historically §423 plans have offered more attractive benefits. When comparing §423 plans to NQ plans with similar benefits, the participation gap narrows.
- Enrollment windows: Half of clients have a two-week enrollment window, making it by far the most common. Another 22% of clients have a three- or four-week enrollment window.

#### Restrictions

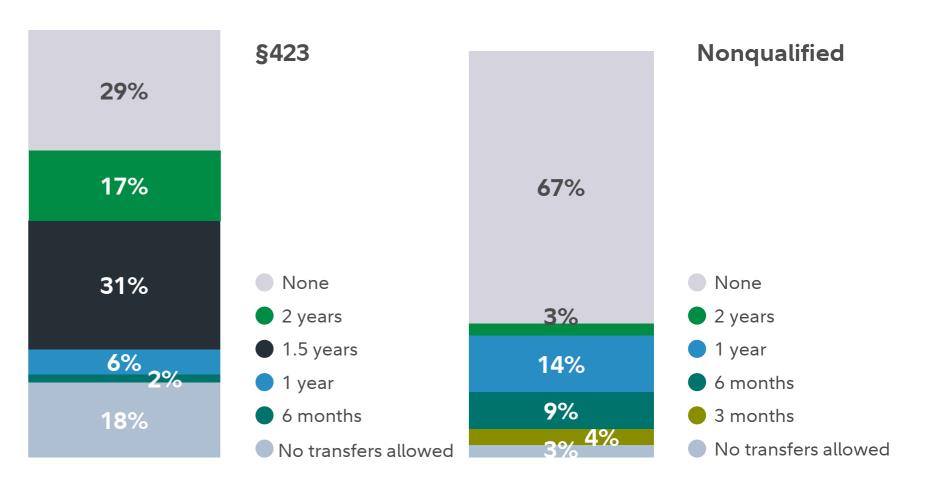
#### Sale restrictions



### **Insight**

For § 423 plans, sales restrictions have been consistently declining, while transfer restrictions have been consistently increasing.

#### **Transfer restrictions**



### Insight

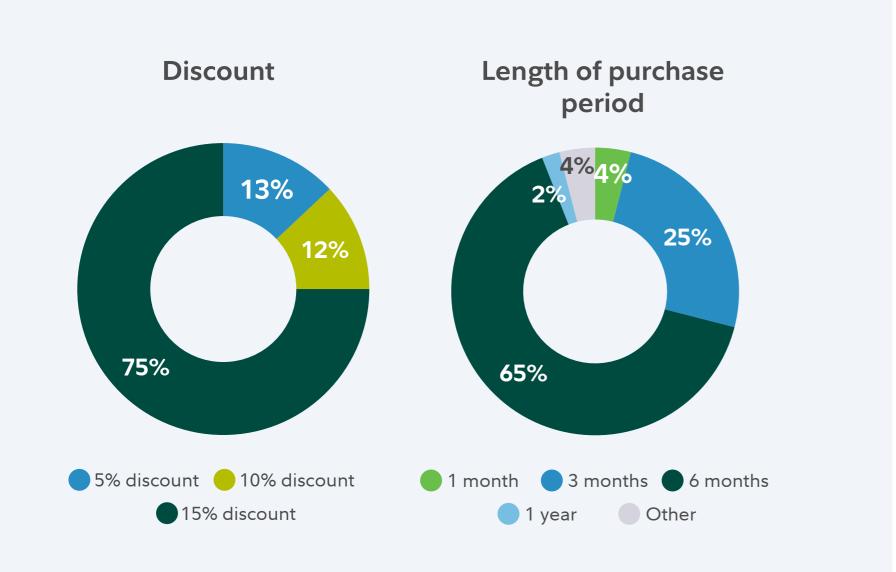
Transfer restrictions for § 423 plans are a gift to plan sponsors; they maximize corporate tax deduction by capturing all the disqualified dispositions and minimize administrative hassle of surveying employees.



§423 plans

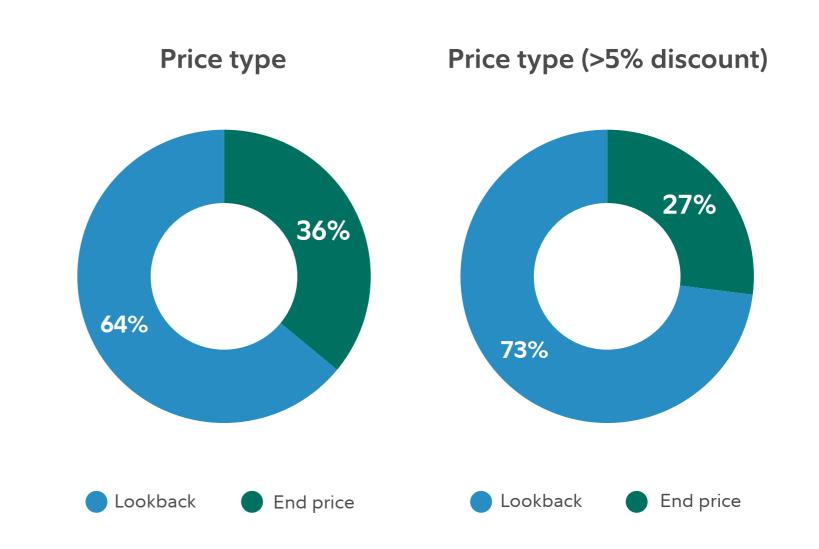
Plan design







For most plans, the purchase period equals the offering period. However, just over 3% of plans have an offering period longer than the purchase period, which can offer significant value with a lookback. Most often these plans are seen in Technology and Healthcare. These are sometimes referred to as "Cadillac" plans.

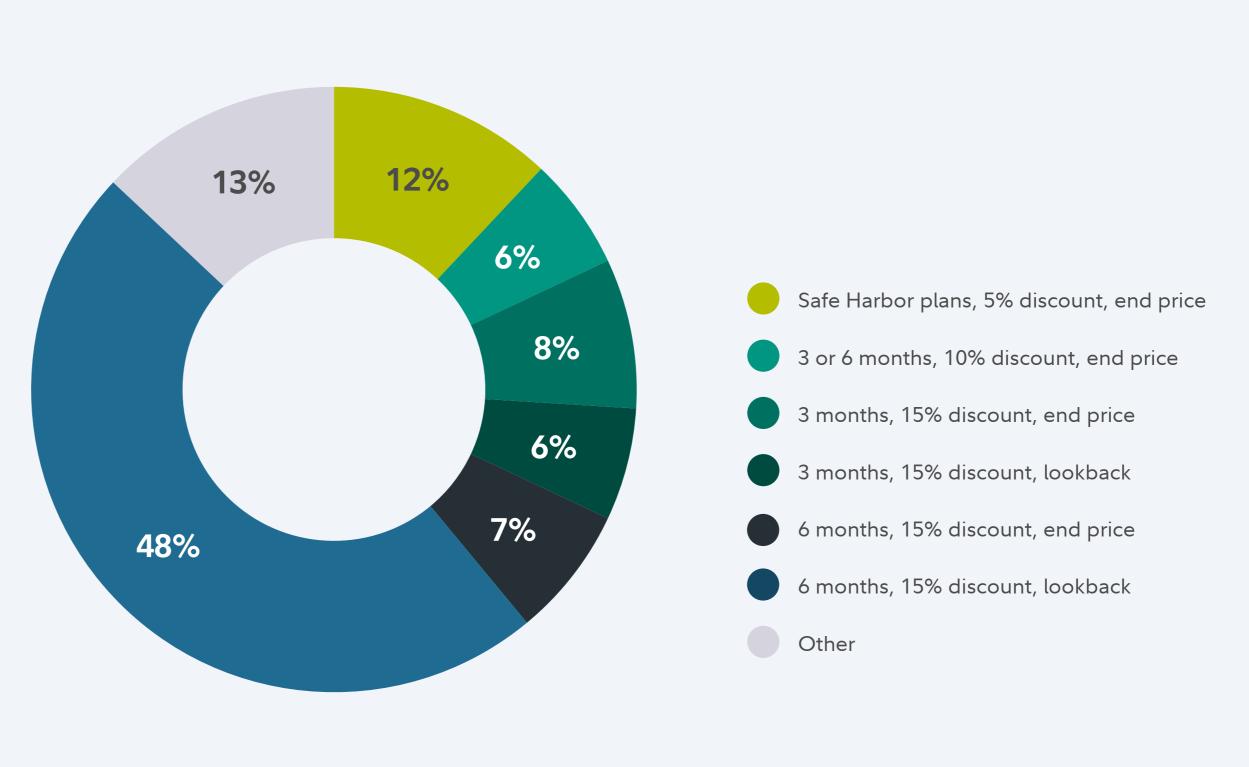


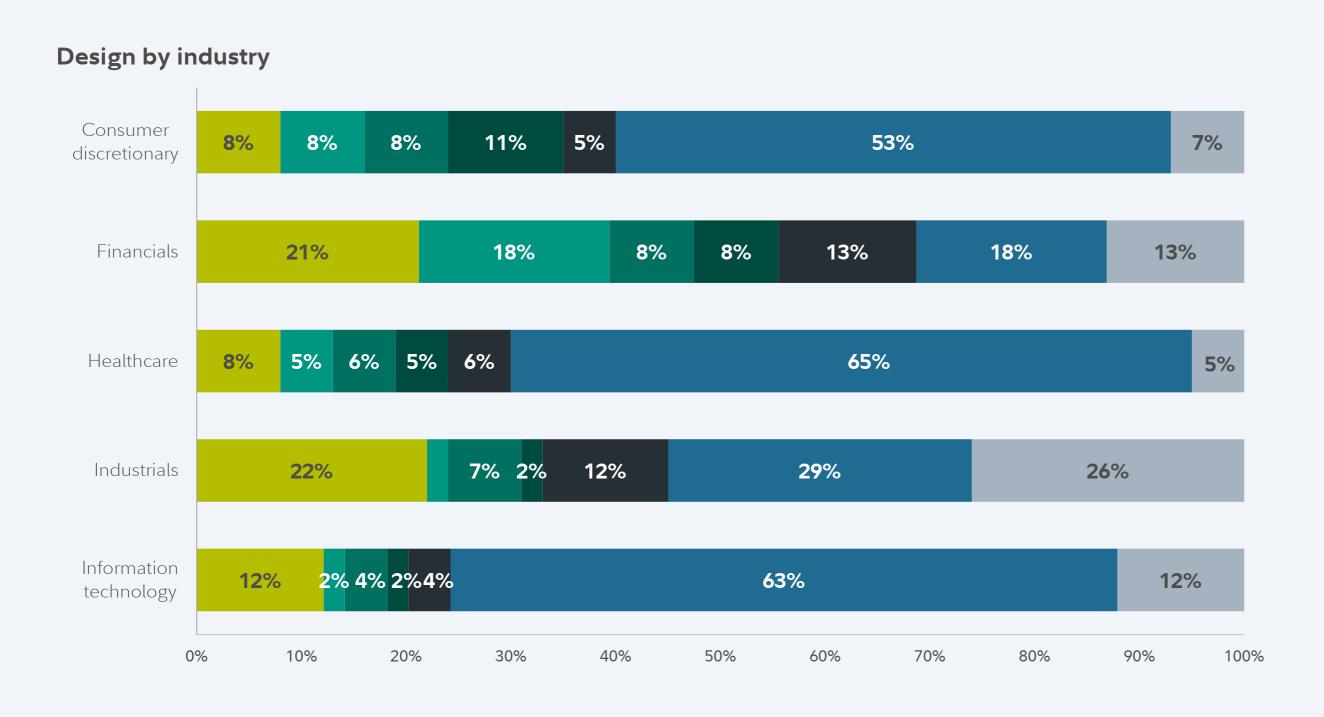
#### Insight

Mix and match plan design features thoughtfully. Plans without a lookback are generally better with shorter purchase periods. Longer purchase periods work better with a lookback.

Length and discount





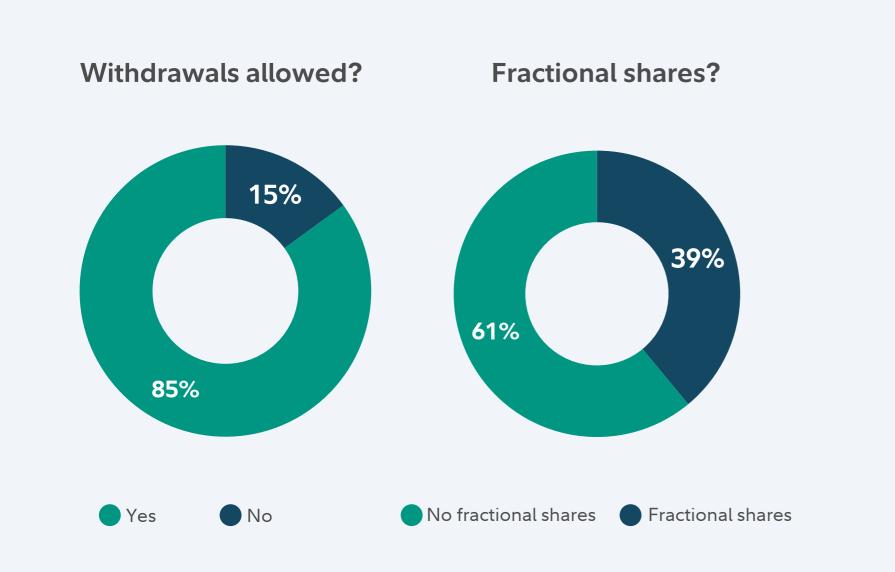


- Safe Harbor plans, 5% discount, end price

  3 or 6 months, 10% discount, end price

  3 months, 15% discount, end price
- 3 months, 15% discount, lookback
- 6 months, 15% discount, end price
- 6 months, 15% discount, lookback
- Other

Details

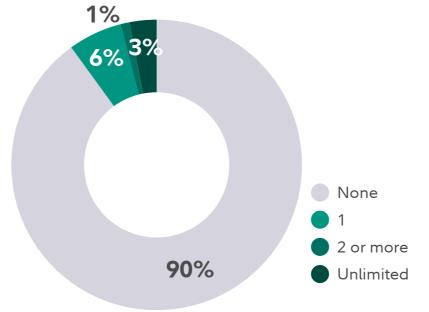


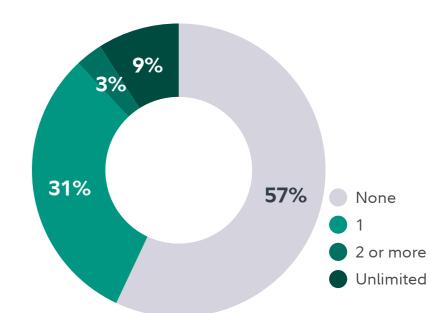
#### Insight

Fractional shares allow for all employee contributions to be used to purchase stock. Fractional share purchases aren't just for high priced stocks; fractional shares offer benefits to plan sponsors and participants.

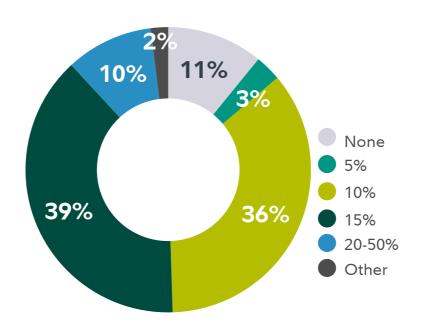
#### Number of increases allowed

#### Number of decreases allowed





#### Maximum contribution %

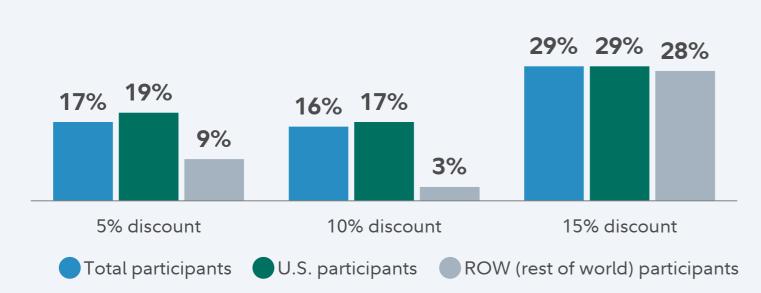




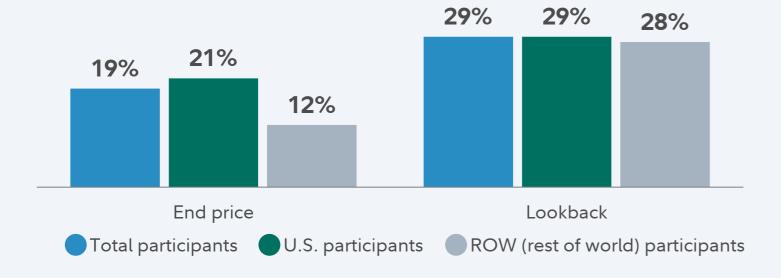
### Participation

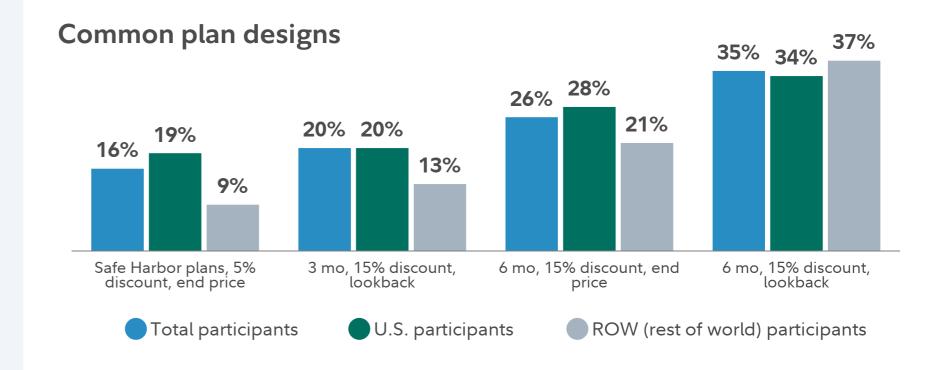
Plan design

#### **Discount**



#### Price type





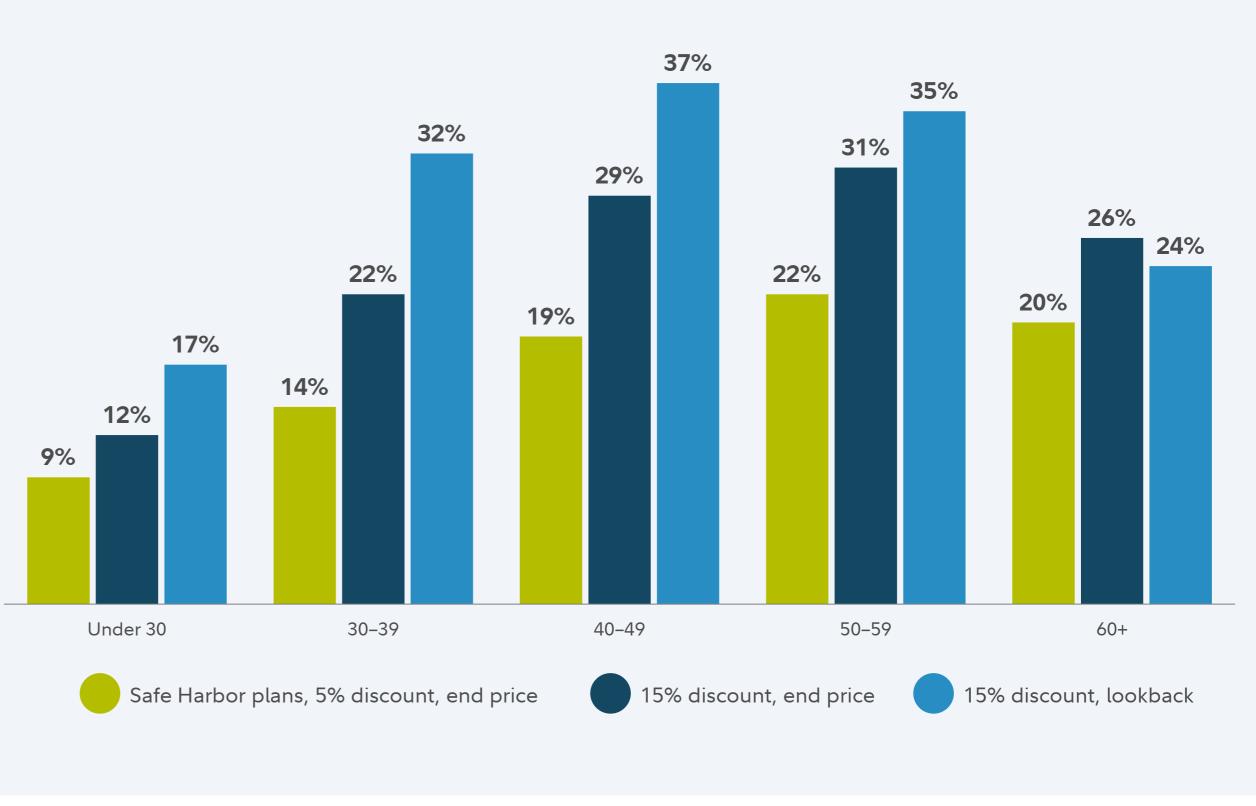
#### Insight

ESPP participation in plans that offer a 15% discount, lookback, and a 6-month offering period has been steadily on the rise in the last few years.

#### Insight

"Cadillac" plans offering multiple purchases in a single offering can have significantly higher participation. Average participation in these plans is 69%.

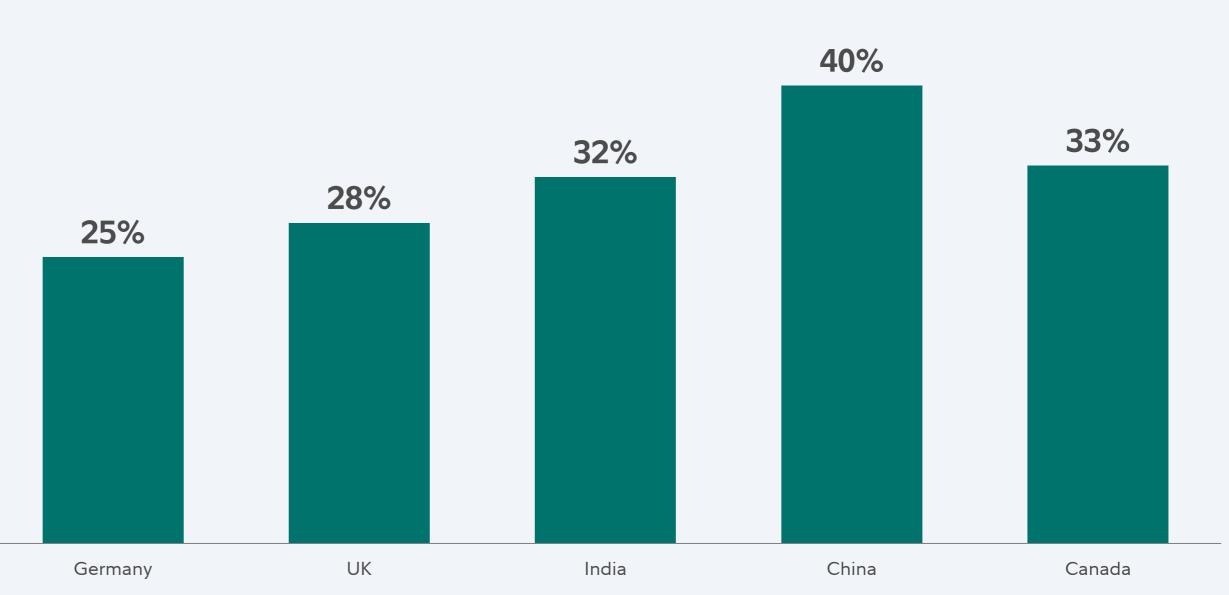




# Participation

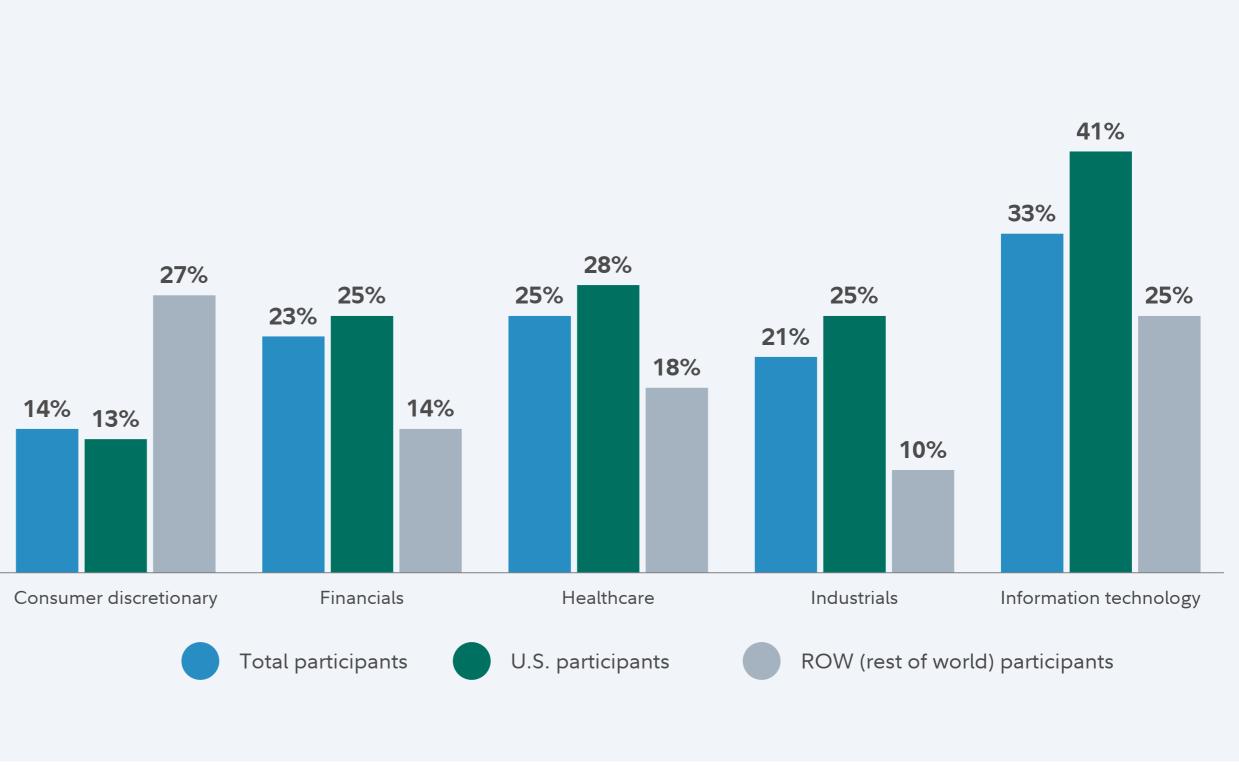
Key non-US locations (plans with a 15% discount and lookback)





# Total participation rate by key industries

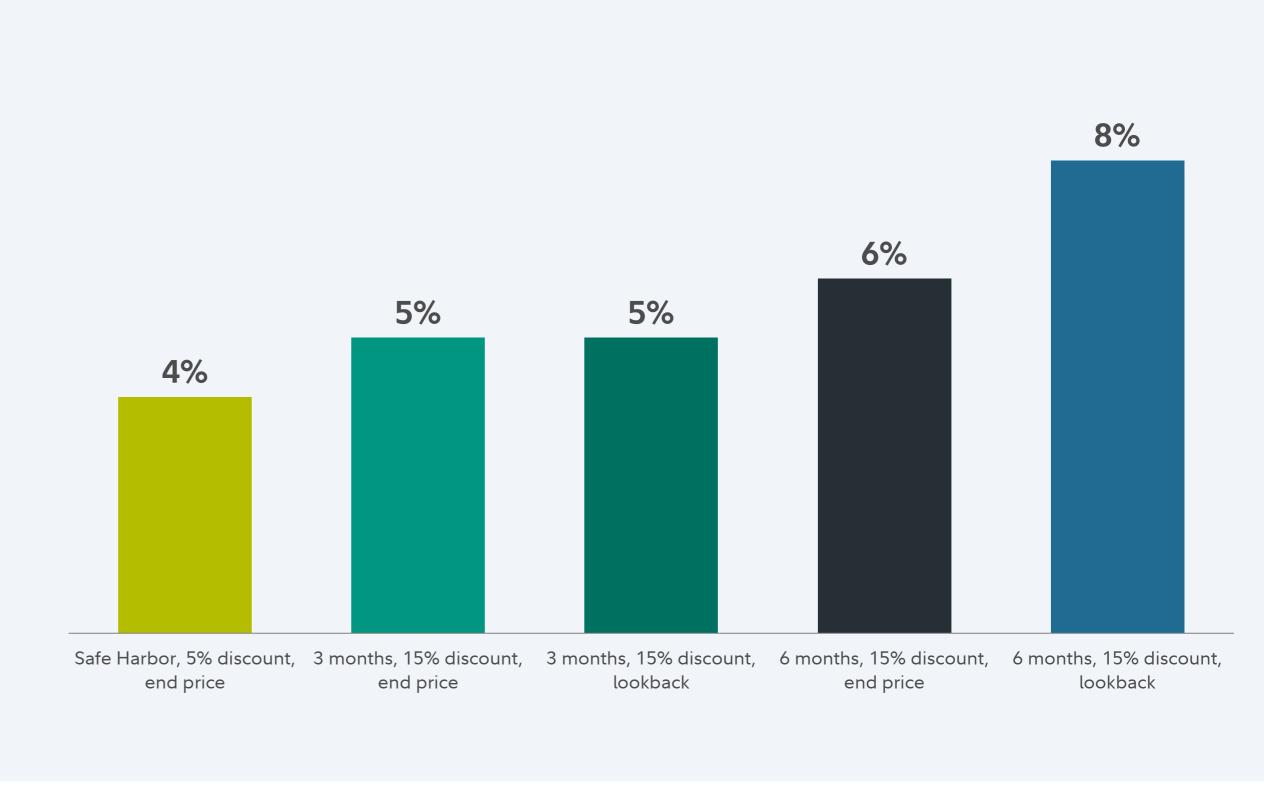




# Plan design

Annual contributions



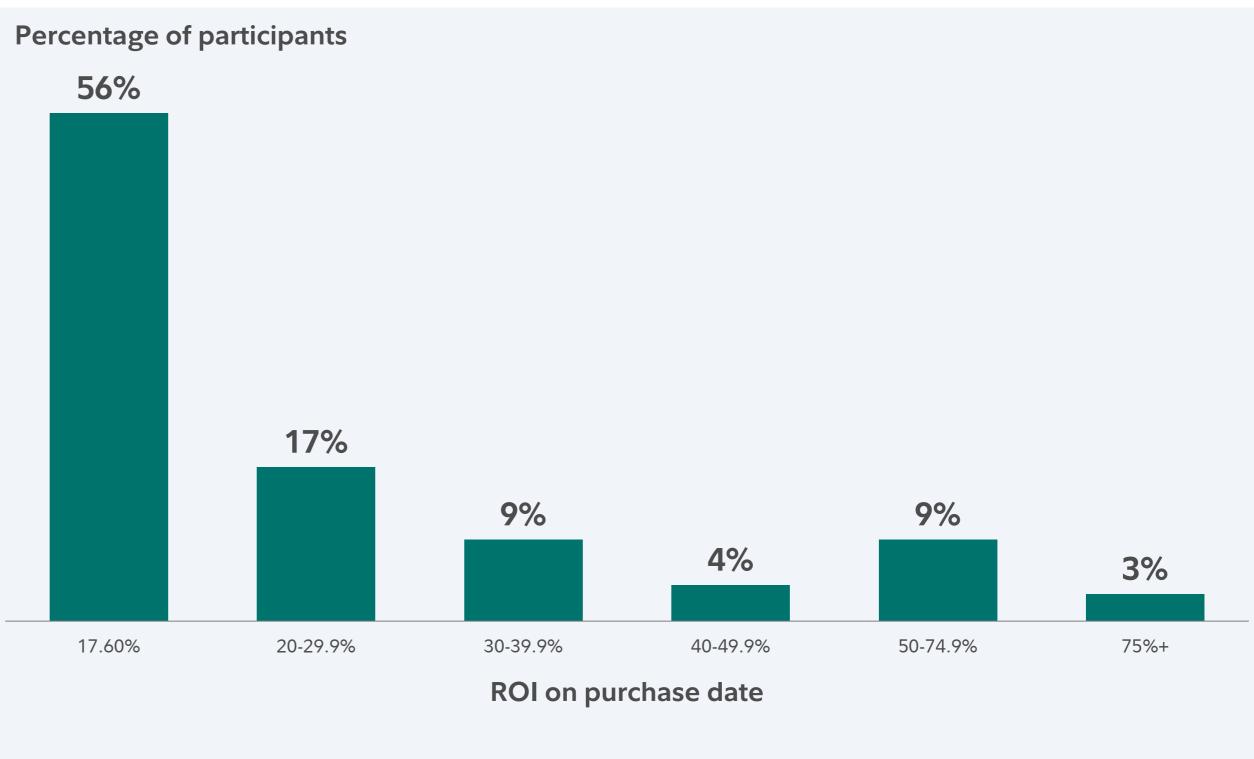




# Return on investment (ROI) on purchase date

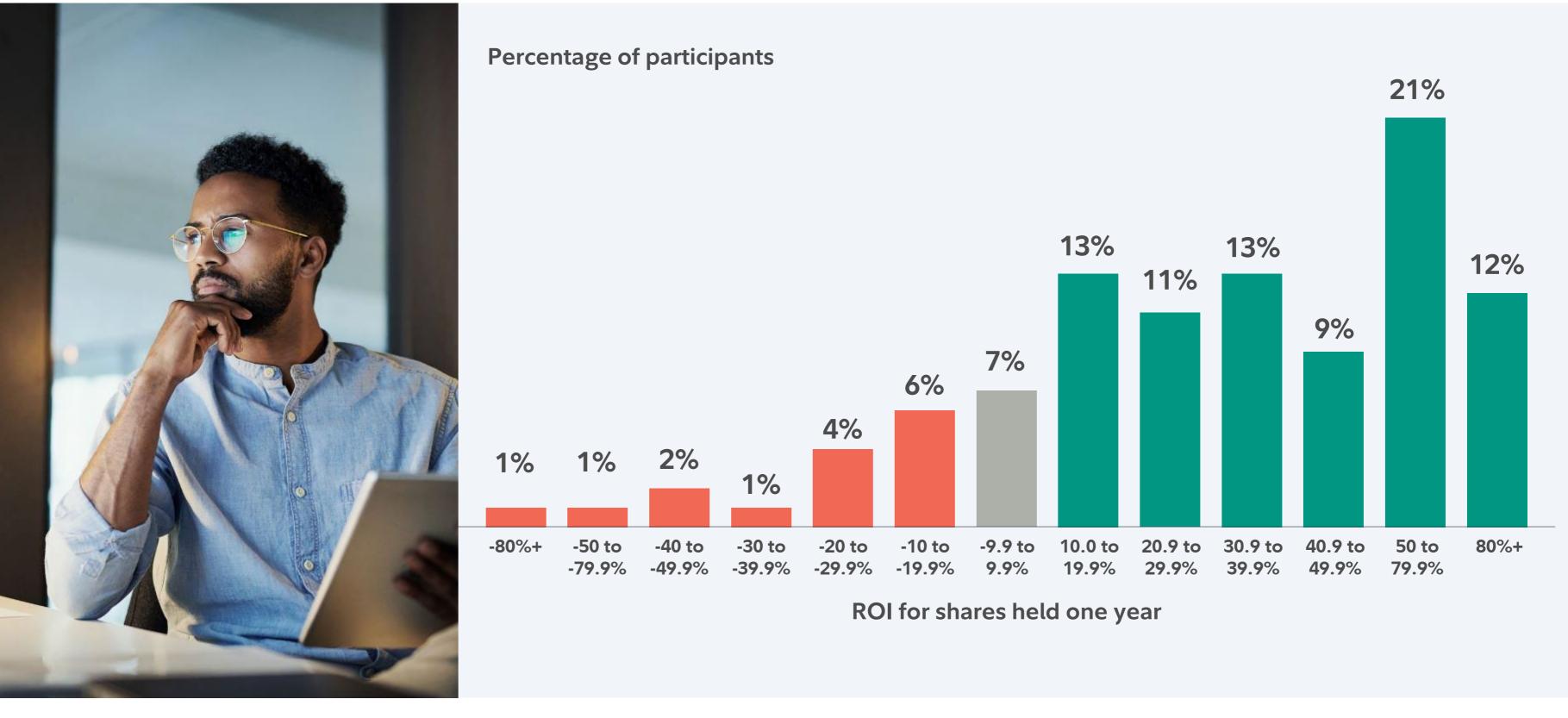
Participant ROI for plans offering 15% discount with lookback\*





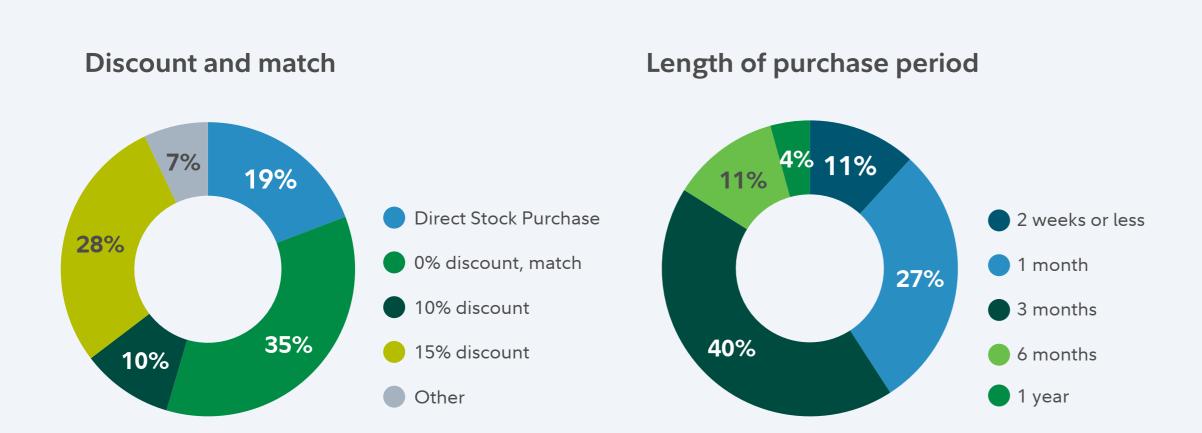
### Return on investment (ROI)

Participant ROI on shares held for 1 year for plans offering 15% discount with lookback\*







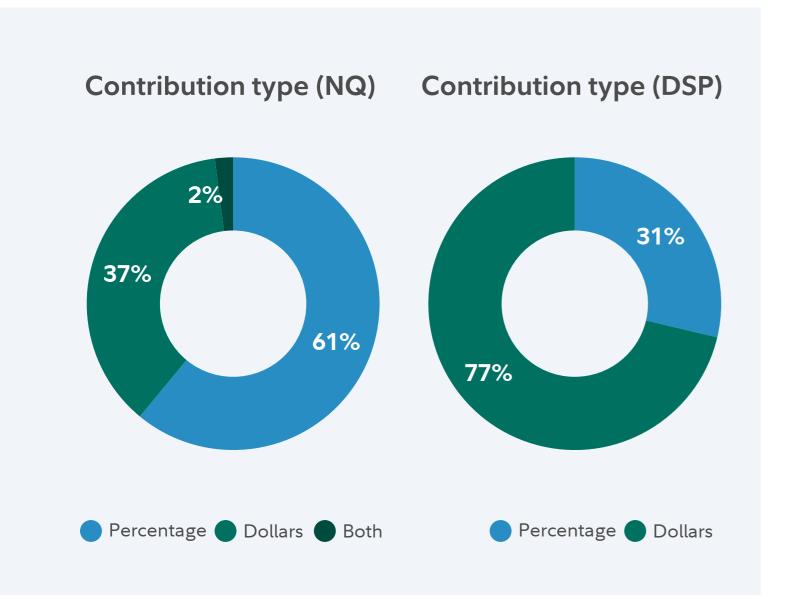


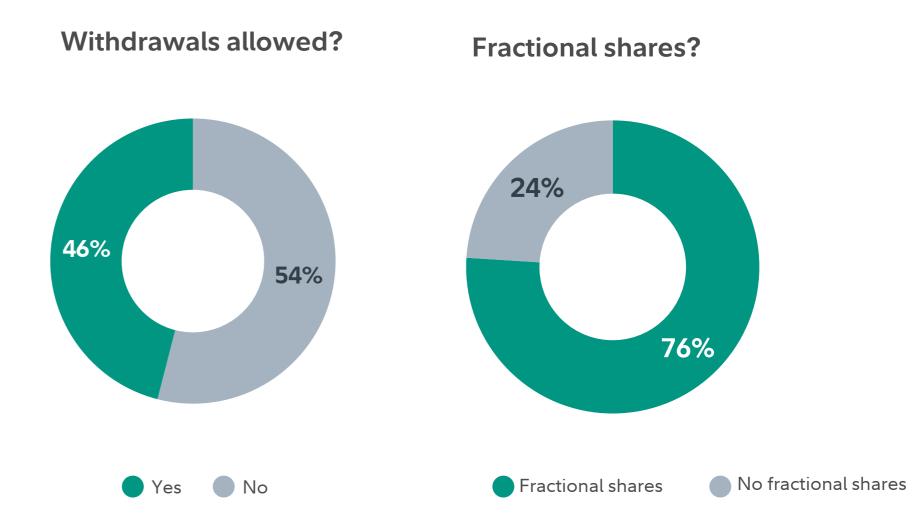
#### Insight

Nonqualified plans with no discount or match are also known as Direct Stock Purchase Plans. These plans generally purchase frequently (usually every two weeks or monthly) with an open market purchase.



Details





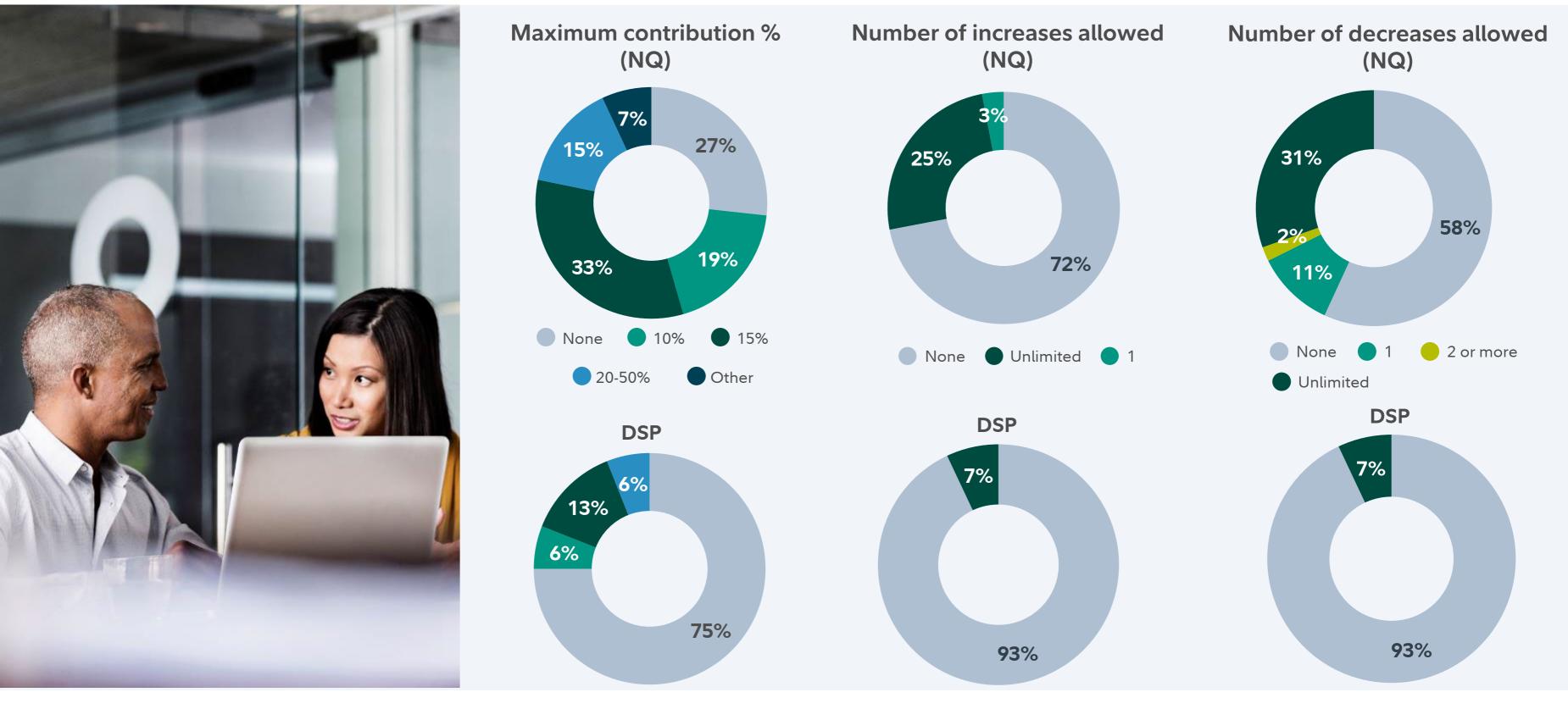
#### Insight

With shorter purchase periods, NQ plans are less likely to allow withdrawals.

#### Insight

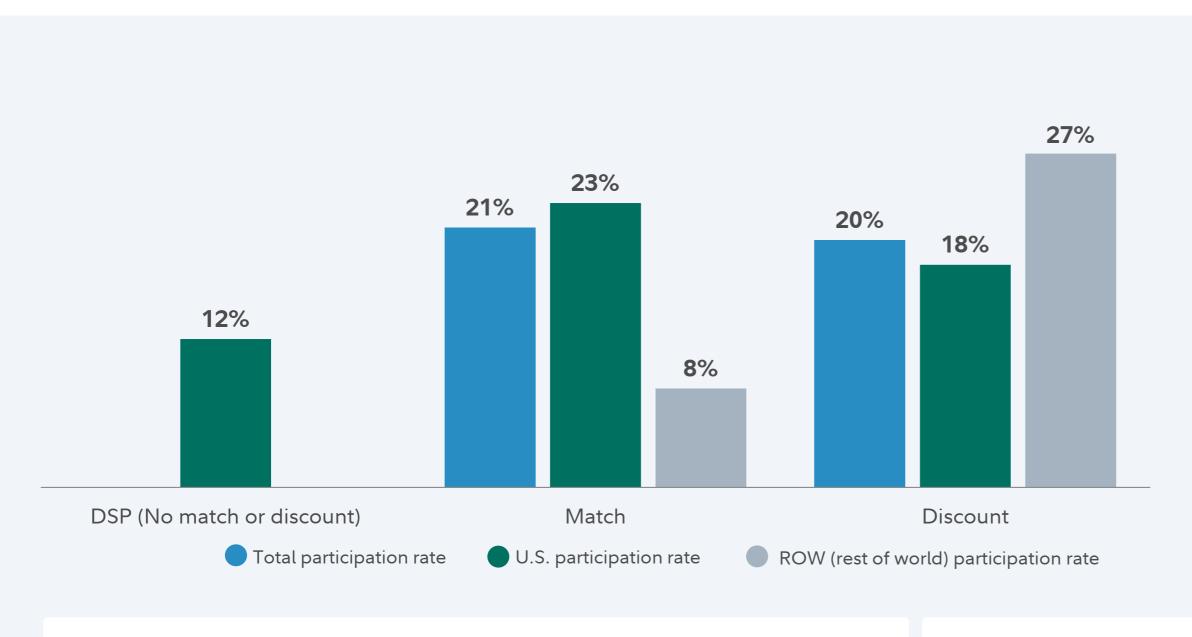
Fractional shares allow for all employee contributions to be used to purchase stock. Fractional share purchases aren't just for high-priced stocks; fractional shares offer benefits to plan sponsors and participants. 0% of DSPs allow for fractional shares.

Details





Plan design





#### Insight

The smaller sample size of NQ plans can result in atypical results.

#### Insight

Nonqualified plans offer plan design flexibility. Creative discounts and matching programs can drive participation and target employee populations.



# Need more ESPP?

Check out these other resources



A video series on ESPP

ESPP Toolkit

<u>Around the World with ESPP</u>: Important considerations for a global ESPP

A guide to offering an ESPP

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