Contribution of S ESOPs to participants' retirement security

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Executive summary

Since 1998, S corporations have been permitted to maintain employee stock ownership plans, a type of defined contribution retirement plan. These plans, known as "S ESOPs," allow S corporations to provide compensation to employees and enhance their retirement security in the form of an ownership interest in the company, much like similar ESOP plans offered by C corporations.

This report analyzes trends in S ESOP retirement plans from 2002 through 2012. In particular, the analysis examines S ESOP plans' net asset value, number of participants, average account balances, and distributions to participants. The analysis relies on official filings made by companies offering S ESOPs that are publicly available from the US Department of Labor.

The analysis indicates that both the number of people participating in S ESOP plans and the value of those plans' net assets have increased substantially since 2002. Participants' average account balances and the distributions paid to participants have also increased substantially since 2002, but remain below their pre-recession peak. In addition, S ESOP distributions per participant were larger than distributions per participant from 401(k) plans.

Key findings of the analysis include:

- **The total return per participant for S ESOPs from 2002 to 2012 was $99,000 (Figure ES – 1) for a compound annual growth rate of 11.5%.** Over the same time period the S&P 500 Total Returns index grew at a compound annual rate of 7.1%. This measure of S ESOP returns includes cumulative distributions and the growth in the value of net assets, net of cumulative contributions.

- **The role of S ESOPs in enhancing retirement security is expanding.** Both net assets and participants rose significantly between 2002 and 2012. Net assets were 318% higher in 2012 than 2002 and number of participants increased by 165% over this period.

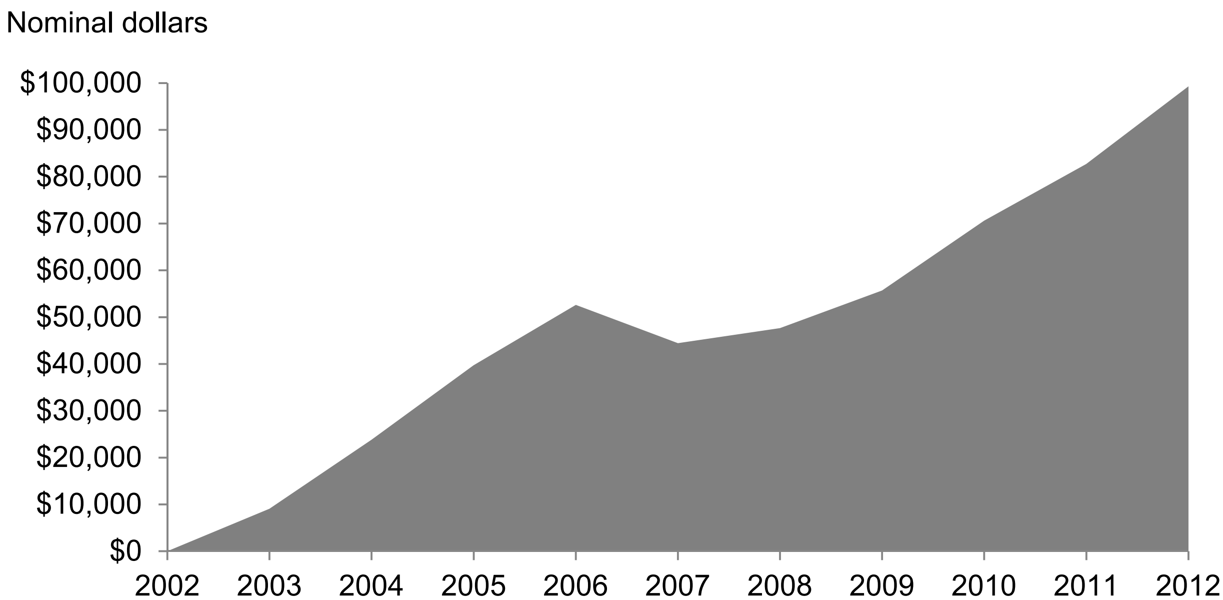
- **Average S ESOP account balances were over $78,000 in 2012.** While they increased 58% from 2002, as of 2012 average S ESOP account balances remained below their pre-recession peak.

- **S ESOPs are particularly prevalent in manufacturing, architectural and engineering services, and construction.** Manufacturing accounted for 29% of net assets in 2012 and 35% of distributions from 2002-2012. Architectural and engineering services accounted for 15% of net assets in 2012 and 11% of distributions, while construction accounted for 12% of net assets and 10% of distributions.

- **Distributions to participants totaled nearly $30 billion from 2002 through 2012, and annual distributions increased almost six fold during this time period.** S ESOPs contribute to the retirement security of participants and their contribution is growing, though distributions had not returned to their pre-recession peak by 2012.

- **S ESOPs provide higher distributions per participant than 401(k) plans.** From 2002 through 2012, distributions per participant were 56% higher for S ESOPs than for 401(k) plans.
- **S ESOP companies are more likely to offer an additional retirement plans than all private sector establishments are to offer a single retirement plan.** 100% of S ESOPS offer at least one retirement plan and 65% of S ESOP companies offer an additional retirement plan, while only 45% of all establishments offer any retirement plan.

Figure ES – 1. Per participant total return for S ESOPs maintained by companies filing in 2002 and 2012.



Source: EY analysis using Department of Labor data.

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I. Introduction

Since 1998, S corporations have been permitted to maintain employee stock ownership plans, a type of defined contribution retirement plan previously only available for C corporations. These plans, known as S ESOPs, allow S corporations to provide compensation and enhance the retirement security of employees in the form of an ownership interest in the company, much like similar ESOP plans offered by C corporations.

This report analyzes trends in S ESOPs from 2002 through 2012, focusing specifically on plan net assets, participants, average account balances, distributions to participants, total return to participants, and S ESOPs’ role in the private sector retirement context. The analysis relies on official Form 5500 filings made by companies offering S ESOPs. The Department of Labor makes these data publicly available. Since data on S ESOPs are not provided separately in Department of Labor summaries, this analysis relied on data submitted in companies’ Form 5500 filings. Duplicates were removed and updated filings were moved to the appropriate plan year.

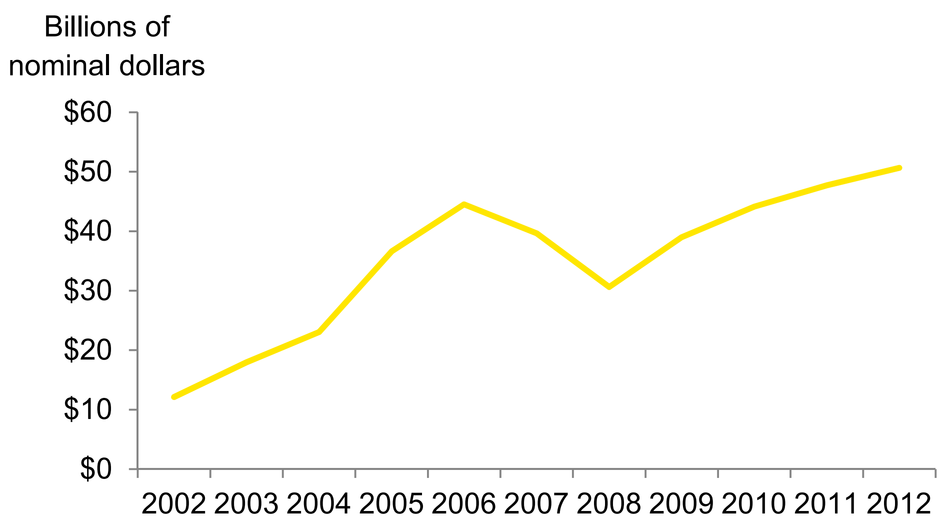
Data on net assets and participants confirm that the role of S ESOPs in helping to enhance retirement security was increasing during the most of the 2002 through 2012 period analyzed by this report. Distributions increased steadily in recent years and significantly since 2002, but as of 2012 remained below their pre-recession peak. Distributions per participant from 2002 through 2012 were higher for S ESOPs than 401(k) plans. On a per participant basis, total return for S ESOPs for which filings were made in 2002 and 2012 was $99,000 for a 11.5% compound annual growth rate. In addition, 65% of companies offering an S ESOP also offer a second retirement plan.

II. Estimates of average account balances

Net assets

S corporations offering an ESOP are required to report end of year net assets. Net assets increased 318% from 2002 through 2012 and 65% from 2006 through 2012. The compound annual growth rate was 15% over this period. With the exception of the Great Recession, net assets in S ESOP plans consistently increased over the time period, and peaked in 2012. This trend is summarized in Figure 1.

Figure 1. Total S ESOP net assets, 2002-2012
Billions of nominal dollars



Note: Net assets by industry are for plans with 2012 start dates.
Source: EY analysis using Department of Labor data.

Manufacturing; professional, scientific, and technical services; and construction account for the largest shares with wholesale and retail rounding out the top five industries with the highest S ESOP net assets. The diversity of the top industries suggests that S ESOPs affect a broad spectrum of individuals working in different industries.

Table 1. Total S ESOP net assets, 2012
Billions of nominal dollars

Industry	Net assets
Manufacturing	$14.8
Professional, scientific, and technical services	10.3
Construction	6.3
Wholesale trade	5.6
Retail trade	5.5
Finance and insurance	2.7
Management of companies and enterprises	1.4
Administrative, support, waste management, and remediation services	1.0
Health care and social assistance	0.6
Transportation and warehousing	0.6
Real estate and rental and leasing	0.5
Other services (except public administration)	0.4
Agriculture, forestry, fishing, and hunting	0.3
Mining	0.3
Information	0.2
Arts, entertainment, and recreation	0.2
Accommodation and food services	0.0
Educational services	0.0
Utilities	0.0

Note: Net assets by industry are for plans with 2012 start dates. Industry is defined by 2-digit North American Industry Classification System (NAICS) code.
Source: EY analysis using Department of Labor data.

Professional, scientific, and technical services (NAICS 2-digit code 54) comprise a large portion of S ESOP net assets. This is a very broad industry category, encompassing everything from management consulting to translation services. However a majority of the S ESOP assets (74%) in the professional, scientific and technical services industry are in the plans of architectural and engineering services firms. Architectural and engineering services accounted for 15% of all S ESOP net assets. Table 2 details the breakdown of S ESOP assets within the professional, scientific, and technical services industry.

Table 2. Net assets for professional, scientific, and technical services, 2012
Billions of nominal dollars

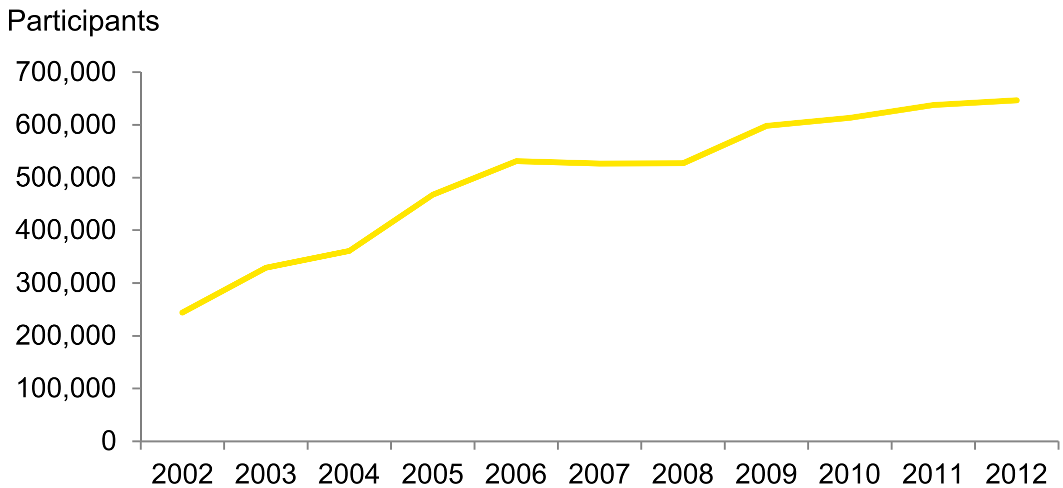
Industry	Net assets	Net assets share
Architectural, engineering, and related services	$7.7	74%
Consulting, research, design, and computer services	$0.9	9%
Advertising and public relations	$0.1	1%
Legal and accounting	$0.1	1%
Other	$1.5	15%
Total	**$10.3**	**100%**

Note: Net assets by industry are for plans with 2012 start dates. “Other” includes marketing research, public opinion polling, photographic services, translation and interpretation services, veterinary services, and all other professional, scientific, and technical services. Investment firms are not included in this industry.
Source: EY analysis using Department of Labor data.

Participants

Plans must report the number of participants with account balances, which includes all participants who have made or received a contribution in the current year or any prior year. In addition to active participants with account balances, this can include retired participants, separated participants, and deceased participants whose beneficiaries are receiving or entitled to receive future benefits. As shown in Figure 2, the number of S ESOP participants increased by 165% from 2002 through 2012. Part of this rise was due to a 41% increase in the number of S corporations offering ESOPs. Over time, existing S ESOPs that continue to offer the plan to new employees will have a higher number of participants with an account balance as employees retire or leave and are replaced by new employees who participate in the plan. The number of participants with account balances essentially remained flat, falling slightly during the Great Recession but has continued to grow since then and reached a historic high in 2012.

Figure 2. S ESOP participants, 2002-2012



Note: Includes all participants with account balances. For companies offering multiple ESOPs, the plan with the maximum number of participants is assumed to include all unique participants across plans.
Source: EY analysis using Department of Labor data.

Taken together, the data on net assets and number of participants suggest that the role of S ESOPs in helping to enhance retirement security is expanding. In both cases, growth slowed due to the Great Recession, but has since rebounded. This suggests that S ESOPs will likely become increasingly important as more participants move into retirement, new employees become active participants, and additional contributions are made to S ESOPs. [1]

Account balances

Average account balances in 2012 were estimated using the data from the Form 5500 on end of year net assets and the estimate of participants with account balances (as shown in Figure 2). This measure estimates the net assets held by the average participant across all S ESOP plans. While end of year net assets does not necessarily equal the sum of assets allocated to individual participants, net assets provide the best available estimate.

The primary difference between net assets and account balances is in the case of leveraged S ESOPs. A leveraged S ESOP uses loans to purchase company shares, which are not immediately allocated to participants. Instead, they are held by the ESOP trust and are allocated to participants' ESOP accounts as the loan is repaid. When newly acquired asset values equal the liability incurred to acquire them, there is no discrepancy between net assets and assets allocated to participants. Potential differences arise as the values of unallocated shares change before the loan has been repaid. The analysis assumes that, in aggregate, plan liabilities offset unallocated plan assets.

Table 3 below shows net assets, participants with account balances, estimated average account balances, and the percent of all private sector establishments with the same number of employees offering any retirement plan in 2012 by a company's size as measured by employment.[2] This provides an indication of the prevalence of S ESOPs at various firm sizes (as measured by employment). In 2012, 41% of participants with account balances (268 thousand) are estimated to be at firms with fewer than 500 employees. This suggests that S ESOPs play a significant role in the retirement security of employees of businesses with different sizes. The average account balance in 2012 was $78,000, a 58% increase from 2002 but still below the pre-recession peak.

Table 3. Estimated S ESOP account balances by number of employees, 2012

Estimated employees	S ESOP net assets (billions of nominal dollars)	S ESOP participants with account balances (thousands)	S ESOP estimated average account balances	Percent of all private establishments offering a retirement plan
Less than 50	$1.7	27	$61,000	42%
50 to 99	$3.5	46	$76,000	70%
100 to 499	$13.7	195	$70,000	76%
More than 500	$31.8	378	$84,000	91%
	$50.7	**646**	**$78,000**	**45%**

Note: Estimated account balances are calculated by dividing net plan assets by participants with account balances. Brill (2012) reports a correlation coefficient of 0.9 between employment and active participants and that the number of employees is, on average, 40% higher than the number of active participants.[3] Therefore, estimated employment was calculated by increasing reported active participants by 40%.
Source: EY analysis using Department of Labor data.

Table 3 also includes data from the US Department of Labor's March 2012 National Compensation Survey that shows that employees at similarly-sized establishments are less likely to have access to employer-based retirement plans.[4] Overall, just 45% of all private sector establishments offered any retirement plan while 100% of S ESOP companies, by definition, offer at least one retirement plan (the S ESOP). S ESOP companies differentiate themselves from other businesses not just by offering employee ownership, but also by providing greater access to employer-based retirement plans.

III. Distributions

Distributions provide important insight into the impact of S ESOPs as they capture the income actually received by plan participants. Over time the value of an account can vary. However, for participants receiving distributions, it is the amount of the distribution that represents the benefit they ultimately receive from an S ESOP. Some S ESOP distributions are rolled over into another retirement plan where they will be invested and serve as the foundation for additional retirement security. Other S ESOP distributions will be used to pay for living expenses or moved to non-tax-exempt accounts.

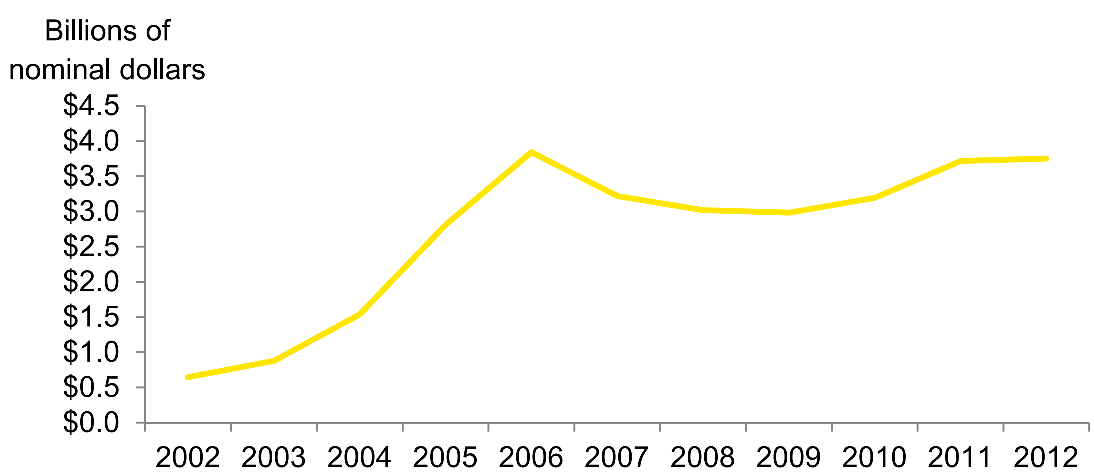
Data for large and small plans

Financial data for large plans with 100 or more participants is reported separately from data for small plans. Large plans are required to separately report benefits paid directly to participants or beneficiaries (including direct rollovers), payments to insurance carriers, and other payments to providers of welfare benefits. Small plans simply report total benefits paid (including direct rollovers). For each year included in the analysis, S ESOP payments to insurance carriers and other payments to providers of welfare benefits were 0.5% or less of benefits paid directly to participants or beneficiaries by large plans. This analysis assumes that payments by small plans to non-participants or non-beneficiaries were similarly immaterial.

S ESOP distributions

From 2002 through 2012, S ESOP distributions totaled almost $30 billion. Since 2002, annual distributions have increased 481% from $645 million to more than $3.7 billion. While distributions in 2012 were still below the 2006 peak of $3.8 billion, annual distributions have increased every year since 2009, as illustrated in Figure 3.

Figure 3. S ESOP distributions, 2002-2012
Billions of nominal dollars



Source: EY analysis using Department of Labor data.

Table 4 details S ESOP distributions by 2-digit NAICS code from 2002 through 2012. Manufacturing and professional, scientific, and technical services alone accounted for more than half of total distributions in this time period. The top five industries also included retail, construction, and wholesale. The data on distributions show that participants from a broad range of industries received retirement income in the form of S ESOP distributions from 2002 through 2012.

Table 4. S ESOP distributions by 2-digit NAICS code, 2002-2012
Billions of nominal dollars

Industry	Distributions
Manufacturing	$10.3
Professional, scientific, and technical services	5.3
Retail trade	3.6
Construction	3.1
Wholesale trade	2.6
Finance and insurance	1.5
Management of companies and enterprises	1.0
Real estate and rental and leasing	0.4
Transportation and warehousing	0.3
Health care and social assistance	0.3
Administrative, support, waste management, and remediation services	0.2
Other services (except public administration)	0.2
Accommodation and food services	0.2
Information	0.2
Agriculture, forestry, fishing, and hunting	0.1
Mining	0.1
Educational services	0.1
Utilities	0.1
Arts, entertainment, and recreation	0.0
Not classified*	0.0

*Not classified indicates records that included a non-NAICS code or left the item blank.
Source: EY analysis using Department of Labor data.

As with net assets, professional, scientific, and technical services (NAICS 2-digit code 54) comprise a large portion of S ESOP distributions. Architectural and engineering services accounted for 11% of all S ESOP distributions from 2002 through 2012, and Table 5 shows that the vast majority of 2012 distributions within NAICS code 54 went to participants in architectural and engineering services firms.

Table 5. Detailed distributions for professional, scientific, and technical services, 2012
Billions of nominal dollars

Industry	Distributions	Distributions share
Architectural, engineering, and related services	$0.5	68%
Consulting, research, design, and computer services	$0.2	20%
Advertising and public relations	$0.0	2%
Legal and accounting	$0.0	1%
Other	$0.1	9%
Total	**$0.8**	**100%**

Note: "Other" includes marketing research, public opinion polling, photographic services, translation and interpretation services, veterinary services, and all other professional, scientific, and technical services. Investment firms are not included in this industry.
Source: EY analysis using Department of Labor data.

Comparisons to 401(k) distributions

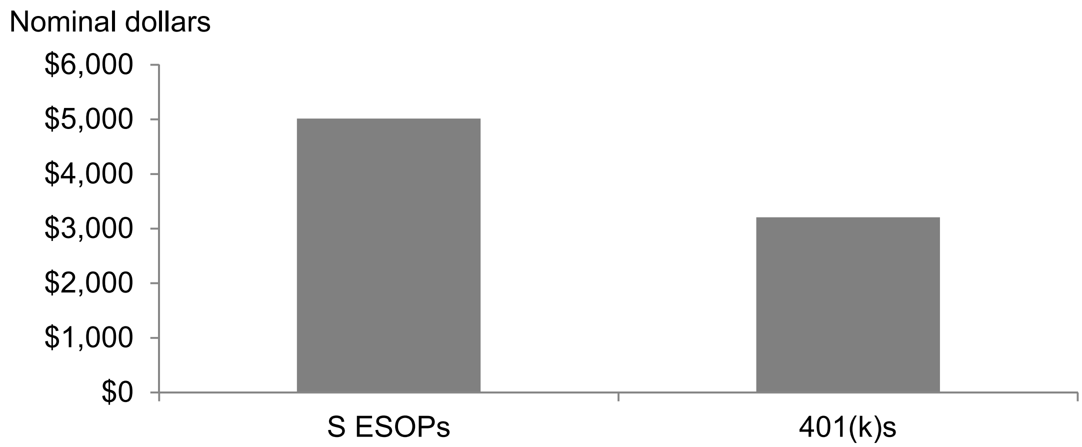
Data comparability

Distributions from S ESOP plans were compared with data on distributions from 401(k) plans as reported in the Department of Labor's annual Private Pension Plan Bulletin Abstracts Table D3. The Private Pension Plan Bulletin Abstracts do not include information on S ESOPs specifically, only ESOPs generally. Form 5500 data are generally organized according to plan-year start date while the Private Pension Plan Bulletins summarize the data based on plan-year end date. To ensure that this analysis was not materially impacted by this timing discrepancy, year-lag comparisons were also used and are reported. Other minor potential discrepancies include the definition of distributions and participants. A detailed discussion of the methodology for comparisons with the Private Pension Plan Bulletins 401(k) data is included in the Appendix.

Distributions per participant

S ESOPs distribute more on a per participant basis than 401(k) plans. From 2002 through 2012, S ESOP participants received an annual average of $5,000, while 401(k) plans distributed an annual average of $3,200. For the same number of total participants, S ESOPs distribute 56% more in retirement income. Using a year lag and comparing 2002 to 2011 Form 5500 data with 2003 to 2012 Bulletin data results in distributions per participant that are 53% higher for S ESOPs. Note that the average covers the entire time period and annual distributions per participant can vary considerably. For purposes of comparison with 401(k) data from the Private Pension Plan Bulletin Abstracts, total participants, which may include participants who have not yet made or received a contribution, were used.

Figure 4. S ESOP and 401(k) annual average distributions per participant, 2002-2012



Note: Participants include active and retired or separated participants but excludes deceased participants whose beneficiaries are receiving or are entitled to receive future benefits. Plans using Form 5500 Short Form may include deceased participants. Distributions per participant were calculated as the total distributions from 2002-2012 divided by total annual participants from 2002-2012. Total participants include potential double-counting for employers with multiple retirement plans. Records in Form 5500 datasets are generally assigned to a year using plan-year start date, while the Private Pension Plan Bulletin uses plan-year end date.
Source: EY analysis using US Department of Labor data.

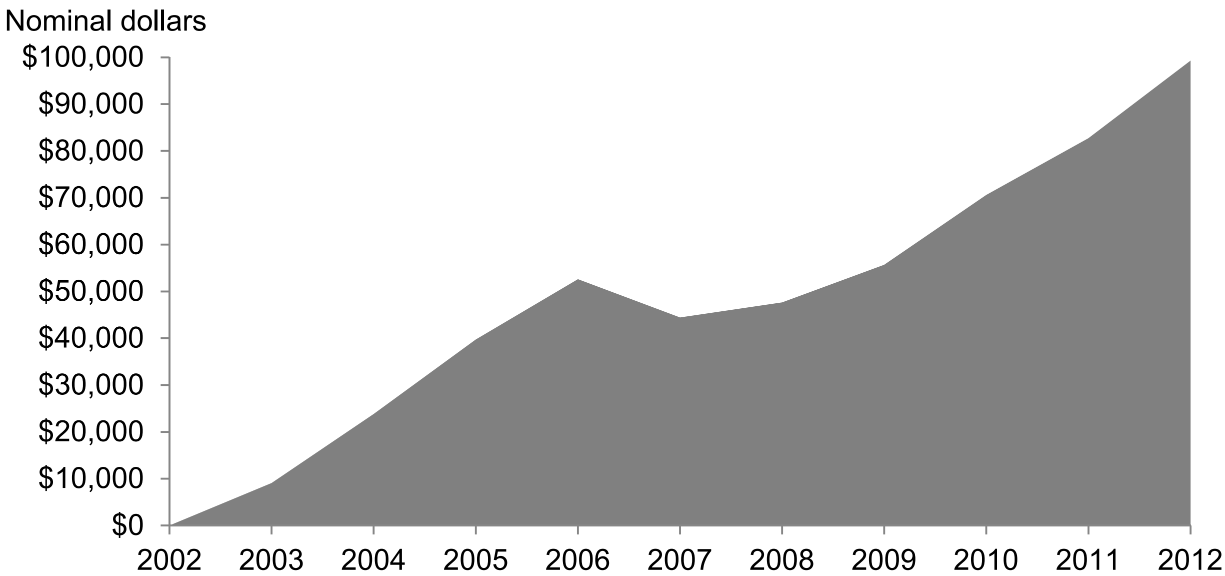
IV. Total return to participants and S ESOPs as a part of the overall retirement package

Total return to participants

Data from all companies that filed an S ESOP Form 5500 in every year from 2002 to 2012 were used to estimate the total return to participants in S ESOP plans. The estimate uses the gain in net assets from 2002 through 2012 plus the cumulative distributions from 2003 through 2012 less cumulative contributions from 2003 through 2012 to arrive at an estimate of the total return received by participants. Distributions and contributions from the year 2002 were not included because 2002 net assets are calculated after the year's distributions and contributions have been made. To control for the potential increase in S ESOP net assets that occurs through an expansion of participants rather than an increase in the value of the assets held in each participant's account, the total return was estimated on a per participant basis.

From 2002 through 2012, the total return was $99,000 per participant, for an 11.5% compound annual growth rate. Since S ESOP distributions are analogous to dividends paid to the holders of corporate stock, this return was compared to the S&P 500 Total Return Index, which includes the value of company stock plus reinvested dividends. The S&P 500 Total Return Index had a compound annual growth rate of 7.1% from 2002 through 2012.[5] The Russell 2000 Total Returns Index grew at a compound annual rate of 9.7%.[6] Note that the S ESOP analysis does not assume reinvestment of distributions and only considers their value at the time of distribution. This suggests that participants in S ESOPs received a higher return than the overall market over this time period. The return to participants is shown in Figure 5.

Figure 5. Per participant total returns for S ESOPs filing in 2002 and 2012



Source: EY analysis using Department of Labor data.

S ESOPs as part of the overall private sector retirement package

For S corporations that offer an ESOP, it is typically the primary retirement plan offered. However, many companies that offer S ESOPs also offer other plans. Using reported employer identification numbers from S ESOP filings, other retirement plans offered by S ESOP companies were identified. When these additional plans are considered, S ESOP companies provided a total of $73 billion in retirement assets and over $5.5 billion in distributions in 2012. These assets and distributions came from S ESOPs, other defined contribution plans, and defined benefit plans. Table 6 details the 2012 assets, distributions, and participants by type of retirement plan for all plans offered by companies with an S ESOP.

Table 6. Net assets, distributions, and participants by type of plan in S ESOP companies, 2012
Dollars in billions, participants in thousands

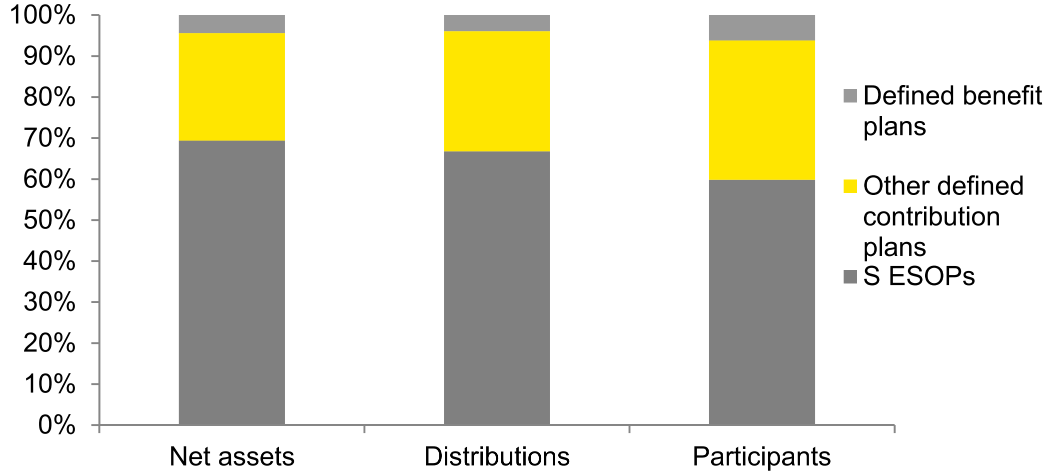
	S ESOPs	Other defined contribution plans	Defined benefit plans
Net assets	$50.7	$19.2	$3.2
Distributions	$3.7	$1.6	$0.2
Participants	646	367	67

Note: Participants may or may not be the same individuals across plans. Participant figures for S ESOPs and other defined contribution plans include participants with account balances while the participant figure for defined benefit plans includes active participants, retired and separated participants receiving or entitled to receive future benefits, and beneficiaries of deceased participants receiving or entitled to receive future benefits.
Source: EY analysis using Department of Labor data.

By definition, 100% of S ESOP companies offer a retirement plan, but 65% offer at least one other plan. Comparatively, only 45% of all private sector establishments offer any retirement plan. In other words, S ESOP companies are more likely to offer two plans as compared to private sector establishments. A potentially important caveat to this finding is that the participants across various employer plans could be different individuals.

Figure 6 shows the shares of total net assets, distributions, and participants in 2012 by plan type for companies offering an S ESOP.

Figure 6. Shares of net assets, distributions, and participants at S ESOP companies by plan type, 2012



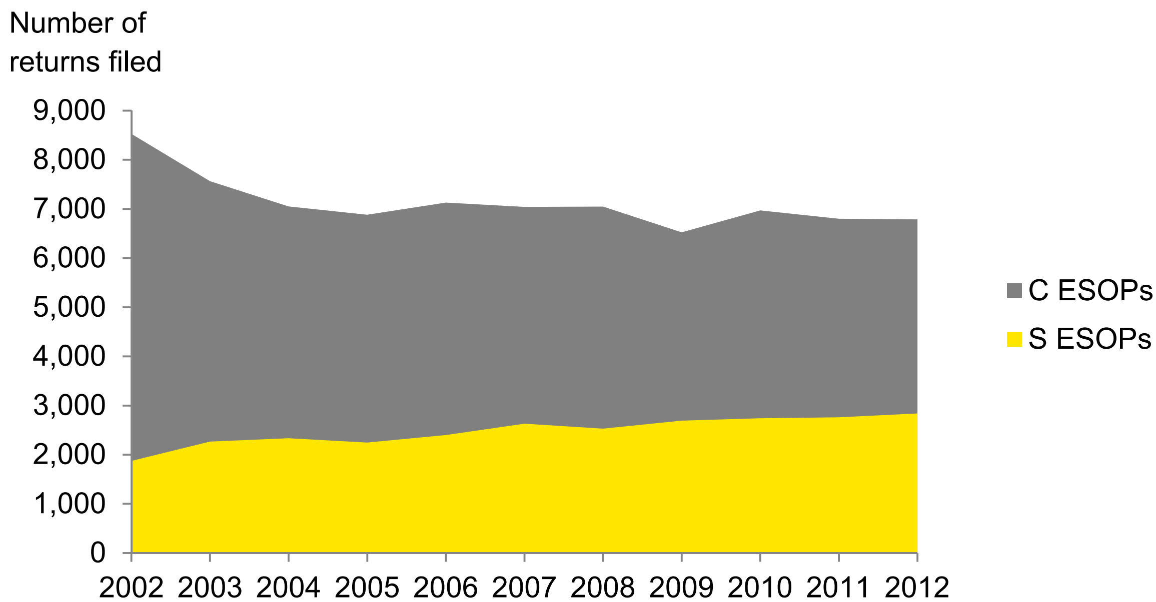
Note: Participants may or may not be the same individuals across plans. Participant figures for S ESOPs and other defined contribution plans include participants with account balances while the participant figure for defined benefit plans includes active participants, retired and separated participants receiving or entitled to receive future benefits, and beneficiaries of deceased participants receiving or entitled to receive future benefits.
Source: EY analysis using Department of Labor data.

It is important to note that even considering the full range of retirement plans offered by S ESOP companies does not capture the full set of retirement options available to their employees. In addition to the employer-based retirement plans provided by S ESOP companies, employees also have access to Social Security and Individual Retirement Accounts. Furthermore, employees who move between places of employment may have assets in an additional employer-based retirement plan. S ESOPs represent a significant addition to the general set of retirement options available to American workers.

S ESOPs as a share of total ESOPs

From 2002 through 2012 S ESOPs accounted for an increasing share of all ESOPs. The number of S ESOPs expanded during this time, while total ESOPs (S corporation and C corporation) declined. In other words, as the number of retirement plans designed to provide opportunities for employee ownership fell overall, the number of S ESOPs increased. In 2002 S ESOPs were 22% of ESOP plans, but by 2012 they accounted for 42% of all ESOPs. For purposes of comparison with data on all ESOPs from the Private Pension Plan Bulletin Abstracts, S ESOPs with only one active, retired, or separated participant were excluded. This adjustment affects a negligible number of filings in recent years due to a statutory change that generally applies to S Corporation ESOPs effective for plan years beginning after December 31, 2004.[7]

Figure 7. Trends in ESOPs, 2002-2012 (other than plans covering 1 participant)



Note: ESOP summary statistics exclude plans covering one participant, defined as the active, retired, and separated participants. This adjustment affects a negligible number of filings in recent years due to a statutory change that generally applies to S Corporation ESOPs effective for plan years beginning after December 31, 2004. For comparison purposes, those plans were excluded from the S ESOP total. S ESOP filings that listed no net assets, distributions, or participants with account balances were also removed.

Source: EY analysis using Form 5500 and Private Pension Plan Bulletin Abstracts, 2002-2012

V. Summary

From 2002 through 2012, S ESOPs were expanding and playing a larger role in helping to enhance the retirement security of plan participants. Both plan net assets and participants increased substantially from 2002 through 2012. While distributions had not returned to their pre-recession peak by 2012, they have increased steadily during the economic recovery. In addition, distributions per participant during the period covered by the analysis were substantially higher for S ESOPs than 401(k) plans, indicating that S ESOPs make an important contribution to retirement income.

Perhaps most significantly, an analysis of the total return from S ESOPs on a per participant basis shows that S ESOPs significantly outperformed the market from 2002 through 2012. In addition, most S corporations that offer an ESOP also provide an additional retirement plan. Finally, while the total number of companies offering an ESOP fell from 2002 through 2008, more S corporations were offering a path for employee ownership through an ESOP plan.

Appendix A. Methodology for comparisons with 401(k) distribution data

Plan-year definition

The raw Form 5500 datasets used in the analysis are primarily categorized by plan-year start date. The Private Pension Plan Bulletin Abstracts are categorized by plan-year end date.[8] The majority of S ESOP plans are on calendar years, meaning that the plan-year start and end dates fall within the same calendar year.

To check for the potential impact of the plan-year definition discrepancy, a year lag was used for both total distributions and distributions per participant from 2002 to 2012. When years 2002 to 2011 from the Form 5500 data for S ESOPs were compared with years 2003 to 2012 for 401(k) data, the conclusions do not change. S ESOP distributions increased 476% from 2002 to 2011 and 401(k) distributions increased 101% from 2003 to 2012. The unadjusted increases were 481% for S ESOPs and 94% for 401(k)s. On a distributions per participant basis, the lagged estimates result in S ESOP distributions that are 53% higher than 401(k) distributions. The unadjusted difference was 56%.

Using a full year lag is the largest possible adjustment and assumes that none of the records from Form 5500 have plan-year start and end dates in the same calendar year, while in reality the majority do. The true impact of the plan-year definition discrepancy is, therefore, smaller than the figures presented above.

Definition of distributions

Section II above includes the definition of distributions for S ESOPs from both Schedule H and Schedule I. The Private Pension Plan Bulletin Abstracts use a somewhat different definition than either Schedule H or Schedule I. While Schedule H shows a breakdown between distributions directly to participants and payments to insurance carriers and other organizations providing benefits and Schedule I simply shows total benefits paid, the Abstracts show benefits paid directly to participants and premium payments to insurance carriers.[9] This definition includes some of the benefits the analysis excludes from Schedule H, but excludes some of the benefits included on Schedule I. However, due to the small size of these components of benefits for S ESOPs (as noted above, they accounted for 0.5% of distributions directly to participants in every year), this discrepancy was assumed to be immaterial.

Definition of participants

The Private Pension Plan Bulletin Abstracts report counts of active and total participants. The total participants count includes all active, retired, and separated participants, including those who do not have not made or received a contribution to the plan. For plans that filed using the Form 5500 Short Form, the count may include deceased participants whose beneficiaries are receiving or entitled to receive future benefits. It also includes double counting of individuals who are on more than one plan.[10]

The definition of S ESOP participants used in the distribution per participant comparison was adjusted to match the methodology of the Abstracts. It excludes deceased participants and does not attempt to adjust for potential double-counting. As noted above, this analysis found that companies offering an ESOP are substantially more likely to offer a second direct contribution plan, suggesting that double counting may pose a more significant issue for ESOPs than for 401(k)s.

Endnotes

[1] Although rare, S corporations can offer multiple ESOPs, which may or may not have the same participants. In the case of a company with multiple S ESOPs, net assets and participants should be considered on a company basis rather than a plan basis. Otherwise, net assets per participant would fall solely due to the choice to spread S ESOP benefits across multiple S ESOP plans. However, the data does not indicate whether the participants in one S ESOP are the same participants in another S ESOP. Figure 2 assumes that the plan with the highest number of participants includes all unique participants with account balances. If the opposite assumption is made, i.e., that there is no overlap in participants with account balances across plans maintained by the same employer, the number of participants with account balances by year range from 0% to 3% higher.
[2] The estimated number of employees is calculated using data on active participants by plan and the relationship between active participants and total employees from a prior ESCA study that found that the correlation coefficient between active participants in S ESOPs and employment is 0.9 and that employment in S ESOPs is, on average, 40% higher than the number of active participants. Alex Brill, "An Analysis of the Benefits S ESOPs Provide the US Economy and Workforce," A report prepared on behalf of the Employee-Owned S Corporations of America, July 2012. http://www.esca.us/images/stories/Brill_S_ESOP_Study_2012.pdf.
[3] Ibid.
[4] US Department of Labor Bureau of Labor Statistics, "Establishments offering retirement and health care benefits," National Compensation Survey, Table 1, 2012. http://www.bls.gov/ncs/ebs/benefits/2012/ownership/private/table01a.htm.
[5] CBOE, "Month-end Closing Values – June 1986 – December 2014," 2015. http://www.cboe.com/micro/buywrite/montendpricehistory.xls.
[6] The Financial Times, "Russell 2000 Total Return Index," http://markets.ft.com/research/Markets/Tearsheets/Summary?s=RUTTR2:REU
[7] US Department of Labor Employee Benefits Security Administration, Annual Private Pension Plan Bulletins, Table D13, 2002-2012, 2014. http://www.dol.gov/ebsa/publications/form5500dataresearch.html.
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