

Annual ESOP Trustee *Compliance Checklist*



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1. Fiduciary and Compliance Review

- ☐ Confirm adherence to fiduciary duties: loyalty, prudence, exclusive purpose, and following plan documents.
- ☐ Review ERISA compliance status and address any outstanding regulatory issues or audits.
- ☐ Verify no conflicts of interest or prohibited transactions occurred during the year.

2. Valuation Oversight

- ☐ Retain an independent valuation firm for the annual ESOP stock appraisal.
- ☐ Review valuation report in detail including methodology, assumptions, and conclusions.
- ☐ Confirm valuation aligns with company projections and strategic plans.
- ☐ Document trustee meetings and decisions regarding the valuation process.

3. Trust Administration

- ☐ Ensure trust assets (stock certificates, cash, securities) are properly titled and secured.
- ☐ Review participant account allocations and accuracy of stock releases.
- ☐ Verify that distributions to terminated or retiring employees comply with plan terms and tax requirements.
- ☐ Confirm preparation and issuance of tax documents (e.g., Form 1099) related to distributions.

4. Plan Documentation and Records

- ☐ Review and update all ESOP plan documents, trust agreements, and amendments as needed.
- ☐ Collect and maintain critical plan documents including IRS determination letter, financial statements, loan agreements, and SPD.
- ☐ Ensure all meeting minutes and trustee decisions are accurately documented and securely stored.

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5. Financial Oversight and Repurchase Obligation

- ☐ Review the ESOP's financial statements and cash flow to confirm sufficient liquidity for repurchase obligations.
- ☐ Obtain and review a repurchase obligation study; discuss future funding plans with the board and administrators.
- ☐ Confirm loan payments related to ESOP stock financing are made on schedule.

6. Governance and Voting

- ☐ Review ESOP voting procedures and ensure trustee votes shares in accordance with plan and participant directions.
- ☐ Participate in or review board meetings where ESOP-related issues are discussed.
- ☐ Monitor succession planning and long-term strategy discussions pertaining to ESOP governance.

7. Communication and Education

- ☐ Confirm that participants receive annual disclosures, statements, and required communications.
- ☐ Engage in trustee education or training to stay current on ESOP regulatory changes and best practices.

8. Risk Management

- ☐ Review insurance policies and fiduciary liability coverage.
- ☐ Assess trustee processes for internal controls and compliance monitoring.
- ☐ Prepare for and respond to any Department of Labor (DOL) or IRS inquiries or audits promptly.

This checklist will assist trustees in fulfilling their critical fiduciary responsibilities, maintaining the integrity of the ESOP, and protecting the interests of participants and beneficiaries effectively each year.