CRACKING THE CODE ON ESPP PAYROLL MANAGEMENT

Presented by:

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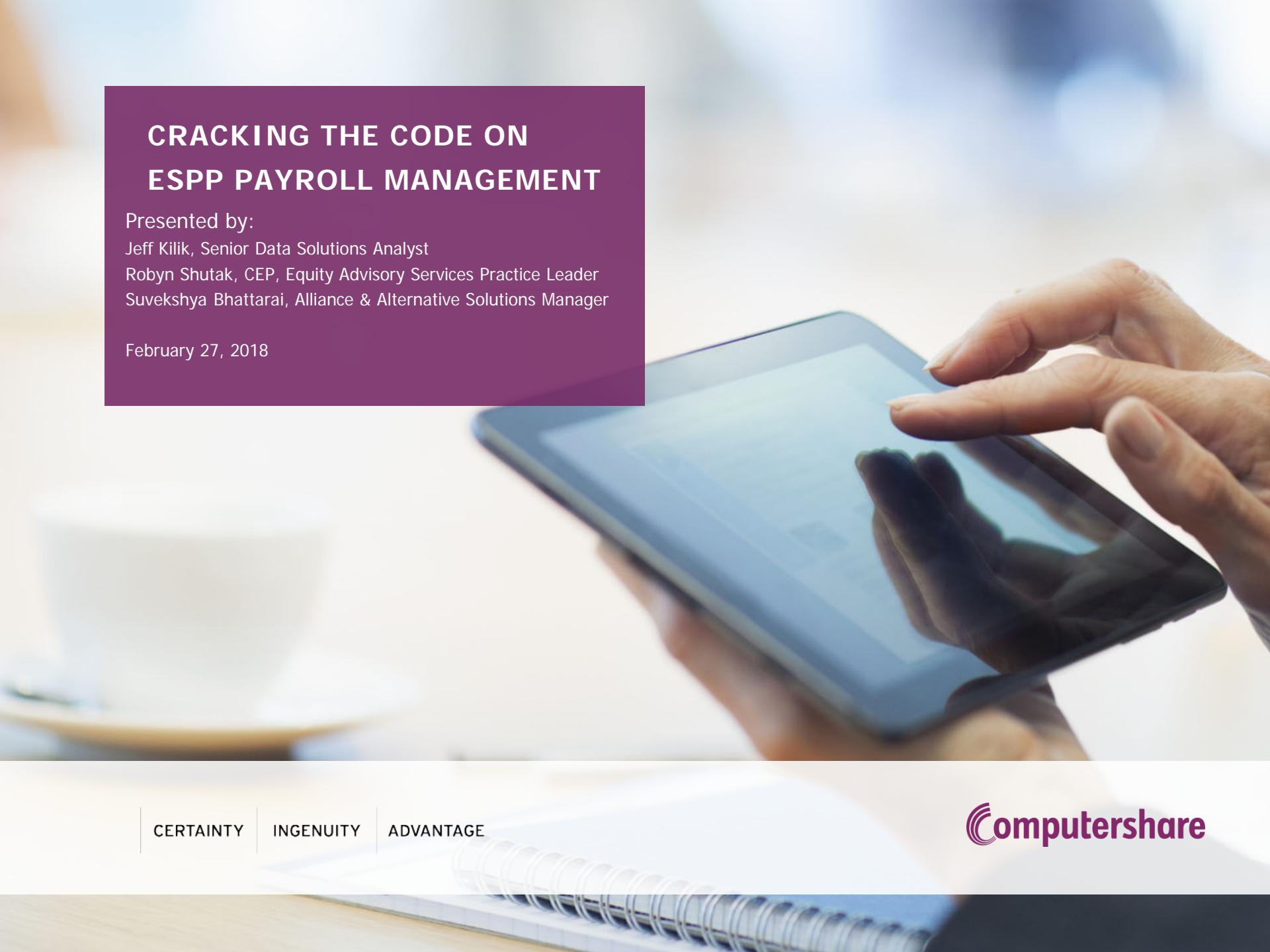
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Upcoming Events

› Webinar Series

  - All Things ESPP @ www.computershare.com/allthingsespp

  - All Things Equity Plans @ www.computershare.com/allthingsequityplans

› ESPP Day

  - November 2018 in Northern California

  - Sign up for alerts at www.computershare.com/esppday

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Asking Questions

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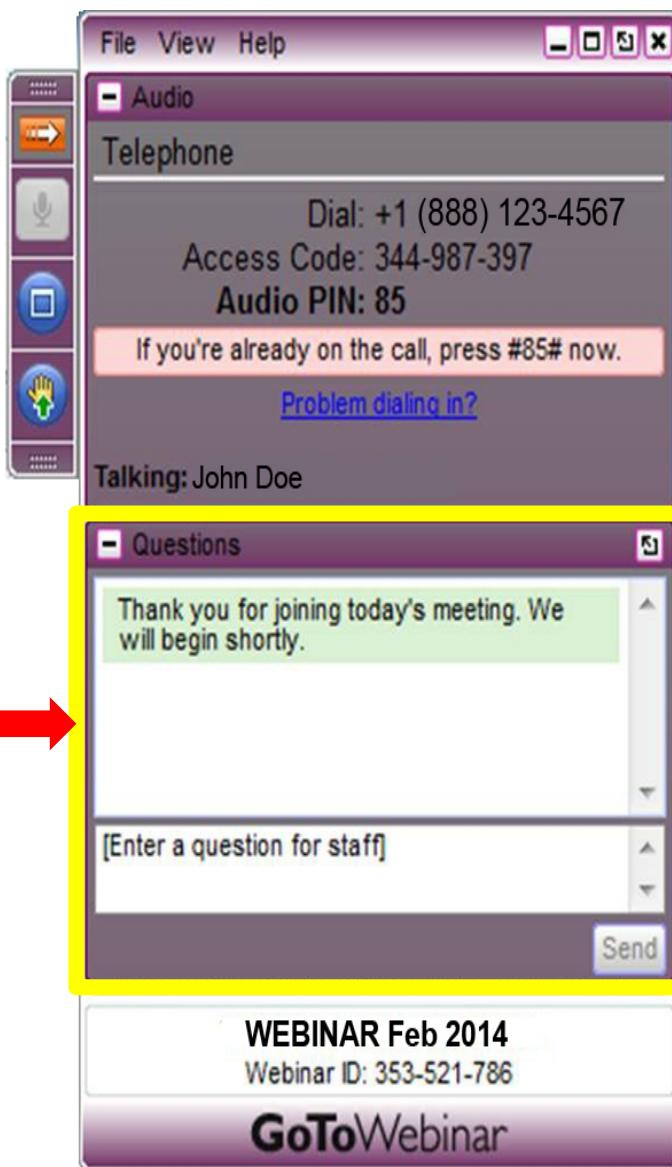
Housekeeping

> Presentation is being recorded

  - Email will be sent to all attendees with link to recording and presentation

> Please take our survey!

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Today's Presenters

Jeff Kilik

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Discussion

› The Path to ESPP Payroll Management Efficiencies

› Stages of an ESPP / Timeline

› The Payroll Relationship

› Payroll Processes: Continuous Improvement or Re-engineer?

› Best Practice Recommendations

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The Path to Payroll Management Efficiencies

> Issue

- A common problematic gap exists between plan administration and global payroll compliance due to time constraints and lack of resources

> Implications

- Inaccuracies in data

- Incorrect financial reporting

- Late or missed withholding and reporting

> Improvement objectives

- Enhance the speed of company's review processes, participant experience and increase overall corporate compliance

- Monitor compliance and make adjustments real-time in all countries where plan is offered, not just largest/high risk areas

- Help with availability and accuracy of global employee data

- Ensure multiple global payrolls timely complete necessary reporting & withholding procedures

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ESPP Timeline

Enrollment	Everything I don't have time for!	Purchase

Enrollment
- ➢ Determine Eligibility
- ➢ Communication
- ➢ Enrollment Period

Everything I don't have time for!

UGH!

Purchase
- ➢ Purchase Allocation
- ➢ Communication
- ➢ Purchase Reports
- ➢ Share Movement

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Got Stress?

Everything I ~~Don't~~ **Must** Have Time For!

Enrolment	Payroll Processes	Purchase

- ➢ Managing your Payroll Relationship
- ➢ Data Gathering, Tracking, and Consolidation
- ➢ Data Formatting
- ➢ Data Validation
- ➢ Data Reconciliation
- ➢ Cash Accounts
- ➢ Documentation

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Managing the Payroll Relationship

> › In General

  - - Payroll team is instrumental to success and management of plan

  - - An ESPP means additional time and work for payroll, but you need their cooperation. Be sure they feel supported and appreciated.

> › Common Problematic Issues

  - - Inconsistencies in employee status on different systems

  - - Enrollments missing contributions, and Contributions missing enrollments

  - - Employees exceeding the 25K limit

  - - Carryover of withheld but unused amounts or refunds

  - - Employees on leave

  - - Terminated employees

  - - Contribution methodology (eligible compensation—salary, bonus, commission, or overtime)

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Managing the Payroll Relationship

> Educate Payroll on:

  - Role clarity / expectations / deadlines

  - Data challenges and approach

  - How to respond to participant questions about plan, i.e., basic provisions (definition of compensation), effects on paystubs

  - Communication Processes

    > Payrolls must know who they can contact for support.

    > Provide an emailbox for exclusive use between the Payrolls and the Plan Administrator.

    > As the number of payrolls grows, consider automating email templates and distribution.

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Payroll Processes: Continuous Improvement or Re-engineer?

	Continuous Improvement	**Re-Engineer**
Generally, processes are	Inconvenient	Inadequate
Deadlines	Sometimes a challenge	Often missed
Reconciling Payroll and Treasury	Difficult	A mess
Resources	Tight	Always short
Errors	Minor and easy to resolve	Constant
Purchase Adjustments	Few	Regular Occurrence
Participant Data Consistent on All Systems	Almost always consistent	Data Discrepancies Across Systems

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Data Gathering, Tracking, and Consolidation

› Data needs to be transferred through a secure connection

   - Allow 3 months if connections need to be created or changed.

› Provide payrolls with a file layout or spreadsheet they should use.

   - Standardization is a challenge to enforce, but it saves time and effort.

› Build a database or spreadsheet to track data

   - Include the date on which data is received, so bottlenecks can be identified.

   - It's often most important to know what is missing, not what you have.

› Once all data is received, it will likely have to be consolidated in one format.

   - Check how flexible your vendor is. They might be able to handle multiple formats.

   - Maintain control numbers on all files to be sure no records are added or lost

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Data Formatting

› Date formats need to be consistent for global issuers.

› If a vendor will accept negative amounts, be sure to test.

› Personal email address data will likely need clean-up.

› Check maximum length of issuer address data fields, and be sure vendor can accommodate.

Data Validation

› Is contribution consistent with enrollment and employment status.

› Has a contribution been received for an ineligible employee.

› Have currency conversions been correctly performed.

› Are contributions being received for someone missing a tax certification.

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Cash – Follow the Money!

› If cash is held in a segregated account:

  - Are currency conversions being correctly performed, and reconciled

  - Are totals in participant records reconciled to cash assets

  - Are payments procedures in place for all participants (checks, wires, China SAFE, etc.)

  - How is interest being handled

  - Can participants view their accounts as cash balances build.

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Document – I promise you it will pay!

› Understand payroll processes around the plan

› Document processes

› Document variations and exceptions

› Standardize templates

› Maintain calendars/schedules with deadlines

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Questions?

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