



AMERICAN COUNCIL OF ENGINEERING COMPANIES

Employee Ownership

ISSUE

Many engineering firms have some form of employee ownership. ACEC supports the Promotion and Expansion of Private Employee Ownership Act of 2017 (H.R. 2092/S. 1589), introduced by Representatives Dave Reichert (R-WA) and Ron Kind (D-WI), and Senators Pat Roberts (R-KS) and Ben Cardin (D-MD), which would foster increased employee ownership of S corporations.

OVERVIEW

Although firms have offered company stock as a retirement benefit since the 19th century, the term employee stock ownership plan (ESOP) was first defined in federal law as part of the Employee Retirement Income Security Act of 1974 (ERISA). Since that time, thousands of companies employing over 10 million workers have created ESOPs as a way to promote employee ownership and provide retirement benefits. ESOPs can be established by C corporations and S corporations.

Over the years, Congress has acted to strengthen ESOPs, but at times the value of ESOPs has also been questioned when they have been erroneously connected to the financial problems of particular companies. ACEC believes that more can be done to protect ESOPs and improve the retirement security they provide to employees. ACEC supports measures to broaden employee ownership and provide technical assistance to companies seeking to form ESOPs.

On the regulatory front, ACEC expressed concerns to the Department of Labor (DOL) regarding its proposed rule that would have changed the definition of the term fiduciary for retirement plans to include valuers of ESOP-held securities. This proposal would have increased the costs of establishing and maintaining an ESOP due to added insurance costs and the likely decrease in the number of valuers that would work with ESOPs. DOL removed this provision in its final fiduciary rule.