

**10 THINGS YOU CAN DO NOW TO TAKE THE BITE OUT OF EMPLOYEE YEAR-END COMMUNICATIONS****Let's Get Ready, 2011 is rapidly approaching along with the new 6039 regulations!**

For some, Halloween marks the opening of the holiday season...and while you may be thinking about pranks and little goblins or how many shopping days remain, in the back (or more likely the forefront) of your mind are the new reporting regulations. Yes, sinister new IRS regulations have added more work to this year's year-end communication responsibility. Shopping days aside, only some 64-odd business days left in this calendar year, and there's a lot of work that the tax man wants us to do. Consider what these changes will mean to you and what it does to the annual communication plan? Let's take a look at few things you can do now to prepare for this year's "End-of-the-Year Communication Plan".

By this time, you have probably had (or hopefully at least scheduled) your year-end reporting meetings. On this year's agenda, the new IRS 6039 regulations are getting all the attention. While we work our way through these solutions, let's keep in mind that most of our employee base have not been privy to the inner workings of these new rules. With careful planning and a few revisions to your year-end toolbox, you can communicate this information effectively to your employees while closing out the year and minimizing employee questions.

1. **Treat your job like your own business; work smarter not harder:** Make a plan, establish a budget, identify your resources, delegate whenever possible and plan to deliver on time. A solid business plan takes a good leader and strong tools/systems to execute. You are that leader and year-end processing is like your business for the next several months. If you have already implemented systems and procedures for your organization, the neighboring divisions, business units, and vendors, then a quick review and tweaking may be all that is required - so long as the expectations are clear. If not, now is the time to get the plan together. If there is typically a great deal of follow up, coordinating and communication throughout this process then set up the parameters early and revise to meet this year's requirements. Year-end reporting and communicating is a big project from any perspective, so to succeed you will want to employ true business management practices and procedures (and if you can, even get a professional project manager involved -see if there's any chance you can leverage your company's project management personnel or just expertise). Whether you are doing this yourself or have someone delegated for the task, make sure that documentation of the year-end process is included.
2. **Get Organized: Build a project plan, timeline, keep a calendar.** Start your year-end project plan by creating a timeline for you and your colleagues. If you are not able to have a project manager, then a simple timeline is a great tool to get you started and most of the way through the process. You will want to work backward using your payroll schedule. Once your payroll completion dates have been established, set your cutoff date. Then determine due dates by which your vendors, HR department, and other departments will send you needed information. Do everything you can in advance. Year-end is crazy enough without having to do "your regular job" too, so get as much of it out of the way as early as you can. From the timeline, you can begin building your project plan and a master calendar. Record all the key deliverables and due dates (build in some buffer time whenever possible).

Once this step is completed, as you have time you can begin filling in the details on the plan, owners/roles/systems. Share it and ask for routine updates - give everyone access to all the key deliverables, due dates and owners for the year. Be sure to save it and begin building your calendar for next year too- you will have a jump start on the coming year and it can be easily updated throughout the year with the help of others. If you haven't yet, schedule a year-end kick-off planning session as soon as possible. At the meeting, review the master calendar for the year-end reporting project and other important dates that impact your organization: proxy filing dates, annual meetings, 10Q dates, 10K date, large vesting events, etc. Depending on your particular environment, your planning session may include vendors, too. Meetings can be a drain on folks with limited time, but if you prepare and stick to an agenda and stick to it, you can easily minimize time required for meetings.

3. **Network! Develop internal AND external working relationships:** From payroll to HR to legal to tax to accounting, you need everyone to work together to get the year closed. Form relationships early and start talking to them about what they need from you for year-end and when they need it by...And don't forget your vendors (and if you changed vendors during the year, coordinate with your old vendor too - avoid duplicate or missed reporting mishaps!) For payroll, make sure you get that last payroll run scheduled early and determine your process for W-2s and W-2Cs, if any. For HR, talk to them about new policies and procedures or grant practices they're thinking about. For tax and accounting, give them copies of the reports you're planning to produce for them, have them sign off early that the reports do have the data they need.
4. **Anticipate Questions and Changes in reporting from last year to this year:** Start drafting the FAQ list and updating your year-end mailing insert (if you send one). By putting yourself in the recipient's shoes you will easily formulate the questions that you will want to address with respect to the 6039 IRS regulation changes. Things to think about that will help you formulate a series of questions: The new regulation reporting requirements, why they did not get this form last year, if you issue ISO and NQ, there may be confusion about why the NQ year-end information is not on the IRS form, how that information is delivered, if you are using a substitute form consider savvy employees expecting the IRS form and why it does not look exactly as the official form, but how it satisfies the requirements. As you begin building those FAQs be sure to ask for input and feedback from HR, Payroll and Legal as they will all want to give perspective.
5. **Review / Update your Year-End Tool-Box:** As soon as possible review all the communication materials that were put together last year - what needs updating, what needs completely revising - what is obsolete? Do you have last year's calendar and checklists? Review the events of last year to see what if any are still relevant and what you will want to repeat - or discard. Don't invent if you can modify - it will save you headaches and time as there may be plenty of useful notes about what worked well and what didn't.
6. **Audit / scrub data:** Data audits - reviewing plan data and participant activity should be a normal part of any quarter-end and year-end review and increase the frequency as you get closer to year-end so you have a smaller data set to audit and reconcile again at the very end. As you approach the close of the year you will also want to make sure you have updated all of the demographic data. The best case scenario would be to have employees go online and update their personal information - so long as you have an automated feed to your equity system. If this is not in your current system makeup, then you will want to get a refresh file from your HR or other system of record to update your equity database. File Form 4s for transactions that could wait for a Form 5 as they occur (better perception by

shareholders too!). Survey for and record dispositions for ISOs and ESPPs throughout the year, as long as that works with the reporting system you have set up with payroll. If you are in the habit of sending estimates on taxes to payroll be sure to have a clear system for final updates, especially if you have a vesting near the end of the year. Also keep a record of all unusual transactions as they occur - so you don't have to track them down at year-end.

7. **Education Delivery Plan:** How, when, where, how often: Build a communication plan and a corresponding timeline that includes things like reminders to employees (note to employees reminding them to update their mailing addresses). Build and finalize all your documents and presentations well ahead of time and store in a central location. If you find you need to make edits after posting to a company intranet or vendor website be sure you have set up a mechanism to manage document control versions. This will save you headaches if you are posting to multiple places. If you have a company newsletter or some other form of self-service website (company or vendor hosted) be sure to use these tools for communicating as well. The more readily available your information is, the better able to point your employees to the answers they seek. Today more and more video and audio clips are readily available and can be easily added to a website, so use all media types available. By recording short audio clips employees will be able to go back easily find the question they want and listen to the explanation.
8. **Build in time to Test:** If you are implementing something new (IRS 6039), build in time to test. Test the creation of data set, test the resulting statement for data completeness and test the filing process. The more time you allow on the front end, the better the final results will be. If you have recently moved to a new system you will want to test your year-end financial reports and processes, verify the reports, review the need for customizations and if so, work out the tweaks and test the results.
9. **Create Examples: Substitute year-end statements:** A simple enough concept but not always well executed. Explaining how the data is added to a W-2 is something we work with every year, but I have found one really good practice is to show the path. Start with a few transactions, next, show the details reported on the paystub, show the results as they appear on the equity system year-end statement and how it may show up in their brokerage account, and finalize with a sample W-2 and the 6039 statement (or substitute statement). It takes a little time to build the examples the first time through, but once you have it you can use it repeatedly. If employees can see the roadmap, they will be able to insert their own figures and better understand their results.
10. **The Lost Art of Customer Service:** Somewhere along the way customer service has become a lost art. As is evidenced by our need to have everything faster, something had to give and sadly it was the customer service experience. Look at the change in service at gas stations. Some 50-60 years ago, good customer service was the rule, stop for gas and 3 attendants are ready to check your tires, oil, wash your windshield / window and serve it up with a smile. Today, 98% are self-serve; full service is a rarity. You don't even need someone there to collect your money! Phone tree systems have done away with the so called "need" to speak to a real person and fast food attendants take your money with barely more than a "here you go" when handing you your change. (Wait, did I say "Thank-YOU" for taking my money?) Why not reinstate the art of customer service?

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### **About Stock & Option Solutions**

Stock & Option Solutions is a leading provider of top-tier stock plan management and consulting services for companies offering equity compensation and benefit programs to its employees. For ten years, hundreds of organizations, from private start-ups to Fortune 500 companies, have relied on Stock & Option Solutions' expertise for strategic planning, methodologies and skilled resources to build and support the most effective stock plan programs possible.