

Recruit, Reward and Retain
Cooperative Employees:

Homestead Advisers Short-Term Incentive and Retention Program for Employees

People are at the heart of every cooperative's success, and they want to be part of an organization that values their hard work. However, we know that recruiting, retaining and rewarding employees is challenging for cooperatives in today's tight labor environment. Competition for talent at cooperatives remains elevated across job positions. And in many cases, wage hikes have not been enough to retain valuable employees. The costs to rehire and retrain employees have been difficult to manage, particularly amid high inflation and other economic challenges.

WE'VE HEARD YOU!

We are excited to announce our newest service available to cooperative management: the **Homestead Advisers Short-Term Incentive and Retention Program for Employees**. This new program can help your cooperative stand out in a crowded labor market and retain employees across job roles and compensation levels, including in-demand positions such as lineworkers. Through this program, cooperatives can provide to their “at risk” employees structured incentive bonuses that have the potential to grow over time.

How It Works

As part of the Short-Term Incentive and Retention Program for Employees, we will help you create a custom employee incentive bonus program from start to finish. We provide templates and forms that help you establish the program under which the employee bonus awards are made. Funding for the bonus awards is invested in a money market mutual fund that can potentially earn income. If and when the bonus award vests, the shares of the mutual fund are transferred to the employee. Homestead Advisers will contact employees whose bonuses have vested to offer support and financial wellness guidance.

A quarterly account statement can be provided to both cooperative management and the employee, which can serve as a consistent reminder of the potential award that is coming down the road (or the amount potentially “left on the table” if the employee were to leave the cooperative).



BENEFITS FOR YOUR COOPERATIVE

Recruit new employees.

Recruit highly sought-after job functions with a compensation program that stands out from peers. Show new employees that the cooperative is invested in their long-term future at the organization with a years-long compensation road map.

Retain valuable employees.

Retain employees that are “at risk” from competitors by tying bonus awards to time periods or key professional milestones. Help to ensure a more stable workforce, particularly in times of key project plan implementations or after training new employees.

Reward high contributors.

Reward the individuals who have made significant contributions to your organization through an incentive bonus.

Build employee loyalty.

Give your cooperative time to instill the cooperative model and all its benefits to a new employee. The vesting period provides cooperative leadership the opportunity to train and educate a new employee about the benefits of working at a cooperative.

BENEFITS FOR YOUR EMPLOYEES

Know that they are valued.

Knowing that hard work will pay off in a very tangible way through an incentive bonus program can increase morale and job satisfaction as well as organizational buy-in.

Receive financial wellness guidance.

At no additional cost,* Homestead Advisers will provide financial wellness guidance to employees whose bonus awards have vested to help them save for important life goals, such as purchasing a new home or saving for college.

Remind employees of the benefits of loyalty.

Receive a quarterly account statement showing the balance of the current bonus balance as a consistent reminder of the potential amount to be gained down the road (or potentially "left on the table").

Start a saving habit.

Building wealth takes time, and encouraging employees to save by receiving their bonus as shares of a mutual fund can help build a healthy saving habit.

* Homestead Advisers does not charge a fee for participation in the Short-Term Incentive and Retention Program for Employees or for receiving financial wellness guidance. Investments in the Daily Income Fund, a series of the Homestead Funds, will incur the regular fees which all investors bear. The Homestead Funds are advised by Homestead Advisers and pay a management and/or administration fee to Homestead Advisers.

Customization and Key Features

This new program is specifically designed for the needs of cooperatives and their employees. Bonuses offered through the program are flexible and can be customized by job code and individual. You determine the time periods, vesting schedules and reward levels to help retain and give back to valuable employees. Bonus awards can vary from one to five years in length, helping your cooperative stabilize your workforce during sensitive stages of development or project plan implementations.

WE'RE HERE TO HELP

The Homestead Advisers Short-Term Incentive and Retention Program for Employees was created to help your cooperative meet workforce challenges. We are here to help you every step of the way and support the important work of your cooperative. Feel free to reach out to your Homestead Advisers representative with any questions and for steps to get started.



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Talk to us about the programs that may be right for your cooperative's workforce needs.

Call **800.258.3030, option 3.**

Ideas for Structuring Your Cooperative's Programs to Help Meet Different Needs

One or more programs can be implemented to support retention efforts or provide incentives.

Retention Programs: Designed to attract and retain employees, within a specific time period of one to five years. Used typically for at-risk employees that you need to retain to give you time to have them appreciate the virtues of working for an electric cooperative.

Incentive Programs: These plans are not limited to five years. You customize the annual evaluation metrics to motivate your employees for desired performance results. As an example, rewarding safety, efficiency, productivity or member engagement scores by tying them to an annual defined incentive.



LINEMAN LIFECYCLE PROGRAM

1 Lineman Apprentice Retention Program

- a. Three- to five-year cliff vest
- b. Customize to align with your cooperative's training program

2 Lineman Incentive Compensation and Retention Program

- a. Annual incentive compensation plan with 70% cash payout, 30% deferral component
- b. Deferral vest 33% per year with payout
- c. By year three 100% payout from past deferral years, with three years of deferral always held as a retention tool

3 Lineman Retirement Retention Program

- a. Hold onto your most valuable assets for one to three more years by implementing a retirement retention program
- b. Can be based on mentorship milestones



ENGINEERING TRAINING & RETENTION PROGRAM

- 1 Electrical engineers are in high demand and there are not enough new recruits coming out of colleges and trade schools to support the growing need. So, instead of a signing bonus to attract talent, **consider implementing a sign-on retention bonus with a three- to five-year cliff vest.**
- 2 **Layer in an annual incentive/retention plan upon completion of training** (similar to above Lineman scenario)
- 3 **Engineer Retirement Retention Program**
 - a. Hold onto your most valuable assets for one to three more years by implementing a retirement retention program.
 - b. Can be based on mentorship milestones



WAREHOUSE/OPERATIONS INCENTIVE REWARD PROGRAM

- 1 **Attract local candidates** with a retention sign-on bonus, two- to three-year vesting schedule
- 2 **Reward existing staff** with an annual incentive amount plus a deferred amount for each year of service that vests in three years
- 3 **In both cases,** employee will have a rolling incentive in addition to his/her annual incentive compensation by year three



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Investors should carefully consider fund objectives, risks, charges and expenses before investing. The prospectus contains this and other information about the funds and should be read carefully before investing. To obtain a prospectus, call 800.258.3030 or visit homesteadfunds.com.

As a money market fund, the Daily Income Fund has limited potential for income production. You could lose money by investing in the fund. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time. Debt securities are subject to interest rate risk, credit risk, income risk, issuer risk and market risk. The value of U.S. government securities can decrease due to changes in interest rates or changes to the financial condition or credit rating of the U.S. government.

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