



Homestead
Advisers | Funds

Recruit, Reward and Retain
Cooperative Employees:

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!

The **Short-Term Incentive and Retention Program for Employees** 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 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 the Homestead Funds' Daily Income Fund so that it can potentially earn income. If and when the bonus award vests, the shares are transferred to the employee. Homestead Advisers will contact employees whose bonuses have vested to offer support and financial wellness guidance.

A quarterly Homestead Funds 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).

Customization and Key Features

This 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.

BENEFITS FOR YOUR COOPERATIVE

Recruit new employees.

Attract top talent with competitive compensation and clear growth paths.

Retain valuable employees.

Secure key personnel through strategic bonuses tied to milestones.

Reward high contributors.

Recognize excellence with performance-based incentives.

Build employee loyalty.

Foster loyalty and new employee alignment through strategic onboarding and vested benefits.

BENEFITS FOR YOUR EMPLOYEES

Know that they are valued.

Boost morale with tangible rewards for hard work.

Receive financial wellness guidance.

Empower employees with financial wellness and planning services at no additional cost.*

Remind employees of the benefits of loyalty.

Reinforce long-term value with regular updates on bonus balances (or potentially benefits "left on the table").

Start a saving habit.

Cultivate financial responsibility by offering shares of Homestead Funds' Daily Income Fund as a bonus option.

* 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 that all investors bear. The Homestead Funds are advised by Homestead Advisers and pay a management and/or administration fee to Homestead Advisers.

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

One or more programs can be implemented to support retention efforts or to 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 who you need to retain to give you time to help 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, you can reward safety, efficiency, productivity or member engagement scores by tying them to an annual defined incentive.



LINEMAN LIFECYCLE PROGRAM

- 1 Lineman Apprenticeship 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. Program can be based on mentorship milestones.



ENGINEERING TRAINING & RETENTION PROGRAM

- 1** Electrical engineers are in high demand, and not enough new recruits are 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 the 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. The program can be based on mentorship milestones.



EXECUTIVE LEVEL RETENTION PROGRAM

- 1 Retain senior executives** with a retention program and improve your recruiting of potential senior leaders by utilizing the program's ability to structure sign-on compensation features to mirror public utilities stock or option programs.
- 2 Used for time frames** up to five years, the program can be structured to roll into a perpetual deferral program helping to retain key talent for the long term
- 3 No matter the age**, younger executives just starting out their careers, or older individuals approaching retirement, the program is flexible to attract, retain and reward your cooperative's leadership talent

We're Here to Help

The 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 to 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.

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



Brian Allen

National Relationship Manager,
Investment Advisor Representative, and
Registered Representative

Check the background of this investment professional on [FINRA BrokerCheck](#).

brian.allen@homesteadadvisers.com



Mark Edwards

Regional Relationship Manager,
Investment Advisor Representative, and
Registered Representative

Check the background of this investment professional on [FINRA BrokerCheck](#).

mark.edwards@homesteadadvisers.com

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Past performance does not guarantee future results. Investing in any mutual fund, including the Homestead Funds (as defined below), involves risk, including the possible loss of principal. Investment return and principal value will fluctuate, and shares, when redeemed, may be worth more or less than their original cost.

An investment in a mutual fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Before investing in any Homestead Fund, an investor should carefully consider the Homestead Fund's investment objectives, risks, charges and expenses before investing. The prospectus contains this and other information about each Homestead Fund and should be read carefully before investing. To obtain a prospectus, call 800.258.3030 or visit homesteadadvisers.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 a bank account and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor is not required to reimburse the Fund for losses, and you should not expect that the

sponsor will provide financial support to the Fund at any time, including during periods of market stress.

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