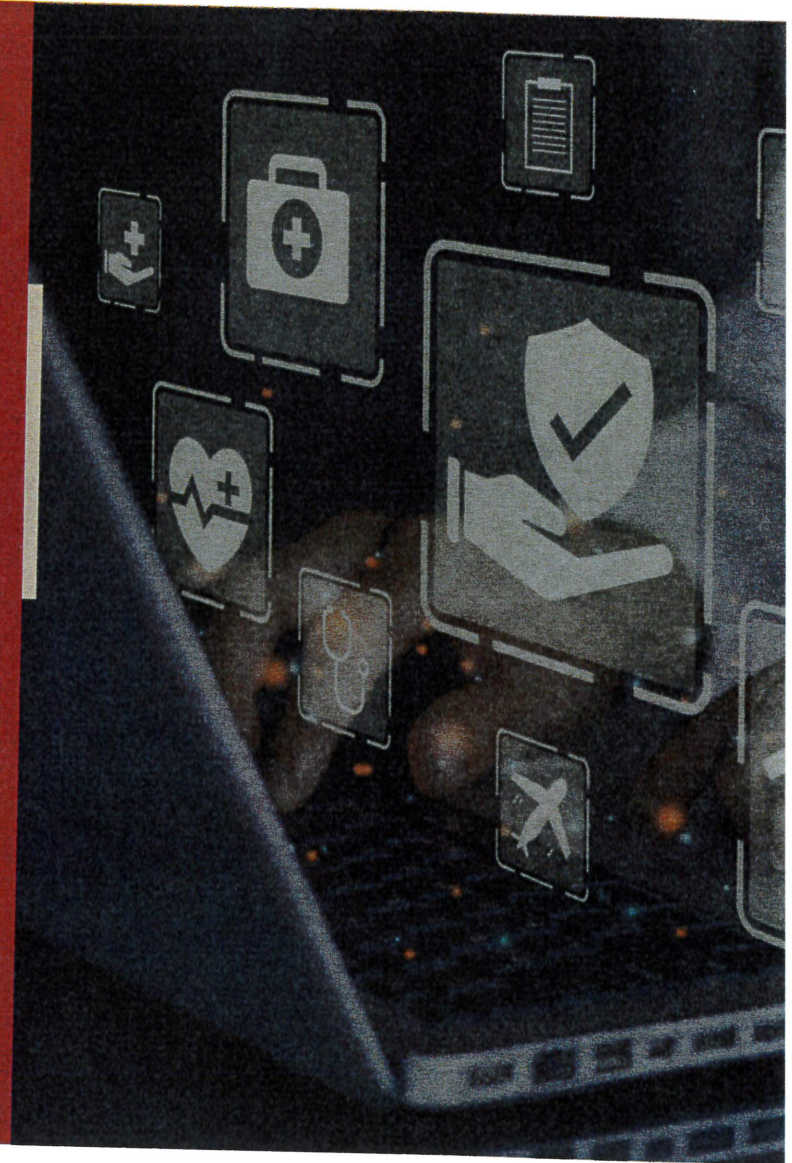




# Unraveling the Mystery Behind Professional Employer Organizations (PEOs)



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# Table of Content

- What is PEO
- Why do Employers Partner with them
- General Trends in the PEO Arena
- Things to consider when looking at a PEO or When you are renewing a PEO
- How to Conduct a PEO Review



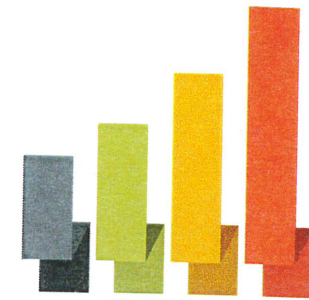
# PEO is the Fastest Growing Business Service Industry



Annual Revenue

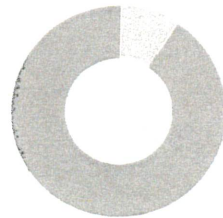


PEO Industry  
Compounded  
Growth rate 7.6%

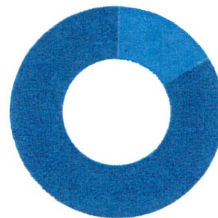


Growth rate expected to  
increase to 11.1%  
annually through 2030

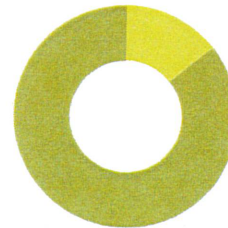
Organizations  
in a PEO  
arrangement:



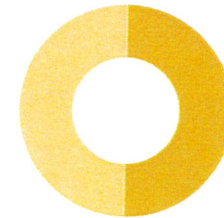
Grow 7% to 9%  
Faster



Report increased  
profitability



10% to 14% Lower  
employee turnover



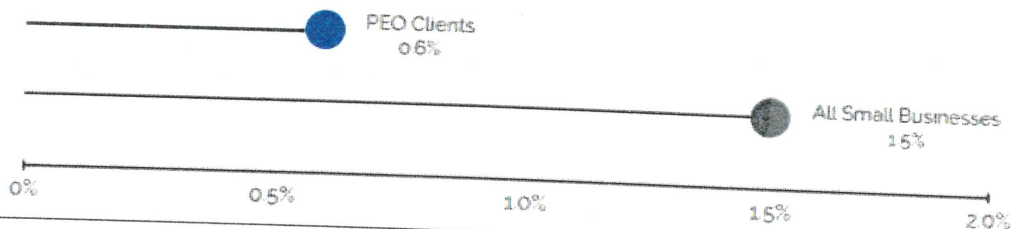
50% Less likely to  
go out of business

# How PEO Clients Fared in the First Months of the COVID-19 Pandemic: A Comparative Analysis

Laurie Bassi and Dan McMurrer  
McBassi & Company

## Permanent closures **less than half** the national rate

% of businesses permanently closed, July 2020



**SUMMARIZING THE FINDINGS:**  
COMPARED TO OTHER SMALL  
BUSINESSES, PEO CLIENTS  
ARE:

**119%** more likely to have  
received PPP loans

**72%** more likely to have  
received PPP loans in  
Round 1

**91%** less likely to still be  
temporarily closed

**60%** less likely to have  
permanently closed

# What is a PEO

A Professional Employer Organization (PEO) provides small and mid market clients with cost-effective outsourced human resource services by assuming certain employer rights, responsibilities, and risk

## PEO's can provide:

- Insurance
  - Employee Benefits, Workers Compensation, EPLI
- Integrated Systems –
  - HRIS, Payroll, Ben Admin, Time and Attendance, Performance Management, Employee Onboarding, Applicant Tracking,
- Human Resource Assistance
  - Recruiting
- Compliance
- Risk Management and Legal Support

## Fact or Fiction? Large Companies (100+) don't belong on a PEO

Fiction! While not good for all, the aggregate cost model can still provide value

- Healthy vs Unhealthy
- High risk exposure or turbulent claims history
- PEO to PEO vs PEO to Open Market
- Few back-office staff
- Multi-state and employee distribution
- IPO destiny

# What is a PEO

PEO's take over the things you have to do "**Because**" you are in Business so you can Focus on "**Why**" you are in Business

## Employer's Worksite Responsibilities

### Business Control

- Business Operations
- Employee Direction
- Hiring & Firing Decisions
- Employee Advancement

### Shared Responsibilities

- Regulatory Compliance
- Hiring & Termination Processing

## PEO's Administrative Responsibilities

### HR Administration

- Payroll
- HR Management
- Compliance
- Personnel Management
- Training

### Risk Management

- Workers' Compensation
- Compliance

### Benefits

- Benefit Sourcing
- Benefits Administration



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# Common Employment Challenges

1

## General HR

- Excessive employee turnover
- Difficulty hiring strong candidates

2

## HR Compliance

- Difficulty maintaining state and/or federal compliance
- Lacking standard HR policies and formal employee handbook

3

## Employee Benefits

- Increasing healthcare costs
- Attracting talent with competitive benefit package

4

## Keep up with Business Growth

- Increasing HR administration and benefits responsibilities
- Need for HRIS technology with self-service access

---

# Top 4 Reasons Employers Work with a PEO

1

## Enable Focus On The Business

- High-value activities get done
- PEO handles HR Administration

2

## Take Advantage of Technology Enhancements

- Reduced administrative burdens
- Effective HRIS capabilities
- System Integrations

3

## Gain Economies of Scale and Control Cost

- Fortune 500 benefits at reasonable cost
- Operational efficiencies
- Integrated and vetted vendors

4

## Reduce Employment Risk

- Risk and Liability are shared



# Trends

- PEO's will allow you to carve out Medical, Worker's Comp and Retirement Plans
- Diversifying Payroll and Tech Solution to be able to meet Clients needs
- Technology Investment to upgrade UI and Integrations
  - Additional Support for 3<sup>rd</sup> Party Applications
- Enrollment Support
  - Online and/or Call support
- Enhancing Non-Traditional Employee Benefits for next Generation of Employees

The decision by Marathon Petroleum to augment an HR suite with a best-of-breed technology ran counter to a trend. Many HR functions continue to purchase one-stop-shopping HCM technology suites for a handful of reasons. The ability to consolidate all HR systems on a single platform from just one vendor creates a consistent user experience and improved data flow between disparate systems. There's the additional advantage of having only one vendor relationship to manage.

Rather than adding new technology platforms, many HR leaders also are working with their IT partners to address growing "app sprawl" in the organization by consolidating systems, with the goal of reducing redundancies and cutting costs.

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# Things to consider when looking at a PEO

- How much administration do I need/want to handle?
  - Does outsourcing the HR administration advance the mission of the company?
  - How much time am I spending doing “off mission” work?
    - How many people does it take to complete these tasks?
    - Does it require additional headcount?
- What is the technology required to manage admin/labor data/reporting/employee information/vendor communication
- How is Cash Flow?

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# Things to consider when looking at a PEO

- What are the Current State need to Have and the Future State Needs vs long term desires
  - Insurance
    - Employee Benefits, Workers Compensation, EPLI
  - Integrated Systems –
    - HRIS, Payroll, Ben Admin, Time and Attendance, Performance Management, Employee Onboarding, Applicant Tracking,
  - Human Resource Assistance
    - Recruiting
  - Compliance
  - Risk Management and Legal Support



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# Things to consider when renewing a PEO

- What am I paying
  - Is My Cost Structure the most Beneficial for my current workforce
    - % of Payroll Vs Per Paycheck vs Per Person
      - FT vs PT
- Should I stay or should I go?
  - Why was the PEO was the right fit when you joined? What has Changed?
  - How long ago did you enroll in a PEO?
  - When did you last benchmark options?
    - What has changed about PEO's since you last looked?
    - What legislative changes have occurred since you joined?
      - If you are in CA...it's changed
  - What has changed about your employee base?
    - In office vs WFH
    - New states or future growth planned to new states?
  - Any shift in your leadership or executive personnel?

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# What to do when you know it's time to leave PEO

- Roles and Responsibilities
- Analysis to understand what will shift
  - Reports from the PEO
    - Frequency of Engagements
    - Types of Calls from HR and EE's
- What technology is the PEO providing
- What is plugged into that technology
  - Was that integration built or bought?
- Benefits/Work Comp/EPLI/401k
  - Who
    - will write the plans
    - will administer the plans
    - will manage claims
    - will manage audits

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# Quoting with the Direct PEO Sales Team vs. USI

## Going direct thru PEO Reps:

- You only get one option
- No ability to compare against open market
- Lack of benefit consulting expertise
- Significant work and time for C-suite and HR during evaluation
- No insight into renewals!

## Full-Service PEO Evaluation:

- Manages the entire process from vetting and marketing to onboarding and renewal
- Open market expertise
- Ability to assist with service issues
- Buying power and pricing knowledge
- Module availability
- Ability to negotiate
- Quote aggregator for preferred pricing



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# PEO Checklist: Information Required for a Proposal

- Summary Benefit of Coverage (SBC) or plan descriptions for all plans (medical, dental, vision, etc.)
- Summary Plan Description (SPD) for all plans (medical, dental, vision, etc.)
- Current carrier invoice for all plans (medical, dental, vision, etc.) that includes all enrolled members and premium rates
- Renewal and alternatives for all coverages (If within 60 days of renewal—if not last renewal)
- If over 100 employees, 24 months of medical claims
- Workers' Compensation declaration page (information page) showing class codes, rates and dated for current year
- 3-5 years of currently valued Workers' Compensation loss runs
- Quarterly State Unemployment reports and Annual SUTA reports with rate
- Disclose any layoffs, EPLI suits or claims in progress
- Payroll register
- Completed ERC PEO Census form

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# PEO Quote Process

- Collection, Review, and Audit of Documentation
- Market to Potential PEO Partners
- Follow up and Manage Outstanding Info Required
- Create Comparisons to Review PEO Costs
- Schedule Demos, Service Team Meetings, and Proposal Reviews

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# USI Curated PEO Partners

With over 500 PEOs, we scoured the market, so you don't have to.







**Talk to your USI Partner to set up  
a no cost review of PEO.**





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