



TRENDING EMPLOYER BENEFIT STRATEGY:

# The Professional Employer Organization (PEO)

The PEO model has become an attractive option for many groups struggling to survive and grow while facing pandemic related headwinds. In fact, by providing comprehensive HR and administrative services, a PEO can help assure the smooth running of your company.

My Benefit Advisor has the tools and services you'll find necessary to explore the benefits and design solutions utilizing the area's premier PEO models.



EMERGING FROM COVID:

## How a PEO Solution Can Help Your Business Thrive

It takes a lot to operate a successful business, and impacts from the COVID-19 pandemic has only served to complicate the efforts put out by owners, management and human resource personnel. Even now, a year after the initial lockdowns, most businesses continue to struggle with revenue only slowly climbing from the pandemic's lows. For many of them, the search continues for new and effective solutions to control or even reduce critical operating costs as they emerge from the pandemic's impacts.

The good news is that a Professional Employer Organization (PEO) could very well be the central piece of a well-designed strategy for most small and mid-sized businesses. A PEO can provide a company with services and support necessary to not only survive but even flourish during difficult times. By helping the business owner to manage their business and their employees, the PEO removes from them a considerable level of responsibility and stress, allowing them to concentrate on growing their business.

If your company has less than 100 employees, the PEO model is a powerful tool for your considered use. By utilizing a co-employment model, the PEO allows a smaller business access to large group benefits, including health insurance, supplemental benefits, workers' compensation coverage and risk management support.

Although most PEO plans may look similar, there are several factors that separate one from another such as the minimum number of employees required by the PEO, flexibility of design and services and pricing.



In this guide, we cover everything you need to know about PEOs and how to choose one that's best for your company.

## OVERVIEW:

# PEO Basics

By definition, a professional employer organization (PEO) is a business entity that provides comprehensive HR solutions for businesses through a co-employment relationship. PEOs manage payroll, benefits and other HR responsibilities for the employees of a client company.

Although the concept of employee leasing has been around for many years, the passage of the Affordable Care Act in 2010 has made the Professional Employer Organizations (PEO) a viable option for many small and medium sized employers. And recently, due to the economic impacts of the COVID-19 pandemic, PEOs are seeing their popularity increase even further.

Because a PEO pools many employers together, they can achieve the economies of scale that individual companies may not be able to achieve on their own. From a benefit standpoint, this means that workers at a smaller company will have access to health coverage and rates on par with those offered by much larger companies. The use of this model can help a business grow by providing greater efficiencies and reducing its liabilities.

When a company enters into a contract with a PEO, the employees of the company become employees of the PEO. The relationship between the PEO and their client is one of “co-employer”, which means that the PEO contractually shares certain specific employer responsibilities with the client. In such a relationship, the PEO handles the “administrative” duties and the company manages the “worksites” duties.

Although there are many advantages to entering a contract with a PEO, it also may not be the right choice for every business. PEOs in general offer a range of services and benefits with a variety of pricing levels and structures. Some provide a one-size-fits-all approach, where others scale their program to accommodate a company’s individual needs. Some may utilize a cost model based on the number of covered employees each month while others may charge a flat rate.

Due to the critical tasks being handled by the PEO, it is important to verify their credentials, check their financial stability and review their track record before making a decision. Every company should carefully examine whether they are comfortable with the cultural fit offered by a particular PEO, the scope and offering details in the contract, and the value and ROI as it pertains to their organization.

### Services Provided By a PEO

- Payroll and Tax Administration
- Benefits Administration
- Regulatory Compliance Assistance
- Workers Compensation Coverage
- Human Resources Support
- Employer Practices Liability (EPLI)

# De-Mystifying Co-Employment

Typically, the staff at PEOs have extensive experience in HR, legal, tax, client services and accounting areas. Businesses partner with a PEO to minimize the costs of administering benefits, streamline payroll operations and more efficiently utilize their resources to effectively grow their business.

Some employers, when presented with the option to outsource their HR needs to a PEO, may be intimidated or even afraid that they will lose control over their employees. This is not true, however. Being in a co-employment arrangement simply means that the PEO is an employer of record for the company's employees. This allows them to legally provide services to those employees and manage confidential information including payroll and benefit data.

Specifically, the following are the responsibilities and roles in a PEO arrangement:



## Role of the PEO

- Pay employee wages and remit taxes timely to the appropriate federal, state and local authorities
- Guide and assist the client with any regulatory and compliance issues
- Provide employees of the client with medical coverage, ancillary products, workers' compensation insurance, a 401(k) plan, a Section 125 plan and a full range of other employee benefits
- Perform a variety of human resource administration services including recruiting support, advice on termination procedures, proper disciplinary procedures, etc.
- Assist in employee training and development

## Role of the Client

- Manage and control the daily responsibilities of its employee workforce
- Maintain a safe work environment
- Track and report each employee's actual work hours
- Transmit funds to the PEO for payroll processing

# Top PEO Benefits

Many business owners may be unaware of the many benefit and human resource solutions available to them with a PEO, uniquely positioned to assist them through and after the COVID-19 pandemic. By utilizing a PEO, your company can allocate more time and resources to core competencies. Studies performed by the National Association of Professional Employer Organizations (NAPEO) have revealed that:

10-14%

Reduction of  
Turnover Rate

35%

Average Savings on HR  
Administration Costs

7-9%

Growth for Small  
Businesses

In addition to these benefits, there are other ways a PEO impacts the small to mid-size business owner:

**Time Savings** — One of the chief benefits of a PEO is providing clients the ability to delegate non-revenue generating activities to a trusted third party. By handling many time-consuming administrative chores, such as recruitment, employee onboarding, training, handbook development and maintenance, creation and enforcement of HR policies and more, a PEO can reduce the administrative workload and free up resources to be focused on tasks that improve company revenue, growth, and productivity.

**Cost Savings** — Since most successful PEOs are well established and utilize best practices and cutting edge technology, clients can often save money by using PEOs instead of their own in-house staff for HR and benefit administration.

**Risk Protection** — Because PEOs have experts in the field of HR and benefit administration, their clients are better protected against risk. Through a utilization of their services, companies are less likely to make expensive administrative mistakes,

avoiding the associated infractions and potentially costly fines. Additionally, because the PEO is an employer of record, it takes on employer-related legal liability in these areas.

**Maintaining Compliance** — Especially during a crisis like the one we've experienced over the past year, the last thing most business owners need to be worried about is whether their business is compliant with the most recent federal, state and local business labor laws. Of course, failure to comply can result in costly fines and penalties.

**Resources** — Small and mid-size businesses can access resources they might not otherwise have access to or be able to afford, like employee training programs, onboarding programs and recruiting services. Additionally, the PEO has a variety of skilled and experienced experts trained in areas that many smaller businesses may not be able to hire on their own due to budgetary limitations.

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## Points to Consider When Researching PEOs

The number of available PEOs on the market continues to increase each year. Determining which vendor is right for each of your clients will require knowledge of both your client's needs and the capabilities and limitations of each vendor. While your My Benefit Advisor Account Executive can assist you with this process, here are a few points to consider.

- 1. What is the PEO's industry accreditation status?** The two main types of industry accreditation for PEOs (IRS certification and the Employer Services Assurance Corporation) demonstrate that a PEO is in good financial standing and has the resources available to provide good service.
- 2. What is the contract structure and cancellation policy?** Does the PEO require a long-term contract?
- 3. Does the PEO have a team trained in the appropriate federal, state and local labor laws?**
- 4. What type of user access does the PEO provide?** Are there online portals and/or mobile applications?
- 5. How does the PEO structure their fees?** Is it a "per employee" charge or a percentage of payroll?
- 6. Does the PEO have the ability to tailor its services to fit your client's needs?** Can it adjust the level of benefits and services provided as your client's business grows?
- 7. What is the level and extent of customer service provided?** Will you and your client have access to a team of skilled professionals? Is there an IT support line available to resolve issues 24/7? Is there "live chat" support in addition to emails and phone capabilities?
- 8. Finally, what type of professional and peer reviews does the PEO receive?** By reviewing these and even speaking with other business owners who have experience with the particular PEO, it may help determine if the PEO delivers on its commitments.



# Would a PEO be a Good Fit For Your Company?

Although any company can use a PEO to help outsource HR, finance and legal administrative responsibilities, small and medium-sized businesses stand to benefit most from working with a PEO. In general, the ideal PEO candidate would be a group with 100 employees or less, with a high concentration of white collar, highly compensated employees. Viable industries include start-ups, technology, healthcare, accounting, engineering, architecture, non-profits and advertising/marketing. Additionally, if your company has experience with any of the following, you can most likely make a compelling case for proposing a PEO:

- A community-rated healthcare program
- Consistently rising healthcare costs
- Increasing Workers' Comp claims and workplace safety training needs
- Multi-state entities that create greater administrative burdens and complicate compliance concerns
- A large remote workforce

As a general guide, here are a few questions to help you determine if a PEO might be a viable solution for your business:

- Is your business currently subject to small group rating with a younger average age?
- Does your company spend a large amount on HRA and/or HSA plans to make up for the lack of better-quality plans?
- Does your company have employees located in several different states?
- Does your company need to track hours by project and/or location? Are you struggling with handling this process?
- Does your company struggle with a lack of automation in various HR functions?
- Has your business received a healthcare renewal greater than 12%?
- Does your company have seasonal or part-time workers with a high turnover rate?
- Does your business lack HR infrastructure and the funds to hire additional resources?
- Has your company had Workers' Comp issues?



MBA'S PEO PARTNER:

## Abel HR

### Why Choose Abel HR?

My Benefit Advisor has researched leading PEO models and has worked with many in the region. However, we have found one to stand out among others in terms of consistency, professionalism and pricing — Abel HR. Through our experience working with them, MBA staff has come to appreciate that Abel has the expertise to manage your human resources administration, payroll, payroll taxes, workers' compensation insurance and employee benefits because it's their only business. Your company eliminates the risk of costly errors, fines and penalties because they assume responsibility for all compliance issues. Take a look at a few Abel HR highlights:

- Outstanding reputation and industry leadership
- Family owned and operated
- Full-time on-site safety and risk management
- Monthly CPA confirmation of payroll tax payments
- Multiple health benefit options
- Qualified 401(k) plan
- HR support, including employee recruitment
- Free direct deposit and direct debit
- Credit union membership
- Employee assistance program
- On-site and/or local management training
- Extensive employee perks, including discounts on movie/theatre tickets, insurance, theme parks, pet insurance and more

### Experienced HR Solutions, Personalized Service

Abel HR is a Certified Professional Employer Organization, meaning that they have met rigorous background, financial and reporting requirements set by the IRS. Certification ensures financial protections and tax benefits to clients of a certified PEO that clients of non-certified PEOs do not necessarily have.

Additionally, Abel HR works behind the scenes to lower costs, maximize employee benefits and ensure that your company complies with all regulations. Abel HR's value proposition focuses on the "people side" of your business. They free up your time so you can focus on growing your business.





## Stay Informed

As the country continues to navigate through the impacts of the COVID-19 pandemic, MBA has developed helpful information, powerful resources and effective solutions for their clients.

Visit our website at [www.mybenefitadvisor.com](http://www.mybenefitadvisor.com) for additional support.

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