

vanguardbenef[^]ts
BECAUSE EMPLOYEES MATTER

The ABC's Of PEO

Agenda

- PEO 101
- Why use a PEO?
- How to evaluate the PEO market
- What is co-employment?
- Will a PEO help in reducing my benefits costs?
- Recruiting benefits
- HR support



The ABC's Of PEO

WHAT IS A PEO?

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



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 managements & compliance
- Personnel management
- Training

Benefits

- Benefit sourcing
- Benefits administration

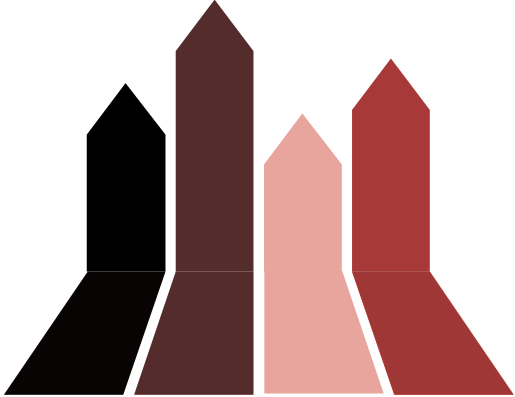
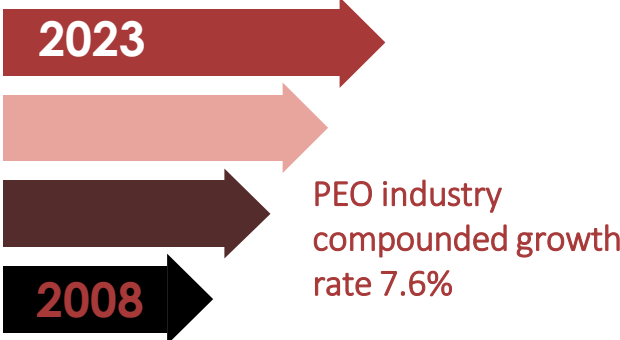
Risk Management

- Workers' compensation
- Compliance

Fastest Growing Business Service Industry

\$42B

Annual revenue



Growth rate expected to increase to 11.1% annually through 2030

What Is Co-Employment?

- The PEO relationship involves a contractual allocation and sharing of certain employer responsibilities between the PEO and the client, as delineated in a contract typically called a client service agreement (CSA).
- For the obligations a PEO agrees to take on with respect to its clients, the PEO assumes specific employer rights, responsibilities, and risks through the establishment and maintenance of a relationship with the workers of the client. More specifically, a PEO establishes a contractual relationship with its clients whereby the PEO:
 - May assume certain employment responsibilities for specified purposes regarding the workers at the client locations.
 - Shares or allocates employment responsibilities with the client in a manner consistent with the client maintaining its responsibility for its product or service.
 - Remits wages and withholdings of the client's workers.
 - Issues Form W-2s for the compensation paid under its Employer Identification Number.
 - Reports, collects and deposits employment taxes with local, state and federal authorities.

WHICH SERVICES DO PEOs OFFER?



HR Services

- HR Management Services
- Payroll & Tax Services
- Performance Management Services
- Recruiting Services
- Culture–Building Consulting
- Compensation Consulting



Benefits Services

- Healthcare Benefits
- ACA Compliance Services
- Life, Disability, Dental, and Vision
- 401(k) & Other Savings Plans
- Voluntary Benefits
- Complimentary Benefits



Risk & Compliance Services

- Risk Services
- Compliance Services



Why Use a PEO?

TOP 4 REASONS EMPLOYERS WORK WITH A PEO

1

Enable Focus on the Business

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

2

Simplify Business Administration

- Single-point-of-contact
- In-house experts
- No administrative burdens
- Effective HRIS capabilities

3

Gain Economies of Scale and Control Costs

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

4

Reduce Employment Risk

- Risk and liability are shared

THE RESULTS ARE IMPRESSIVE

7%-9%

Faster growth

27%

ROI based on cost-savings for PEO clients

10%-14%

Lower employee turnover

50%

Less likely to go out of business

Top Reasons Employers Select a PEO



Medical Insurance



Workers' Compensation



Integrated Systems



Human Resources Support

Top Reasons Employers Select a PEO: Medical Insurance



- Save 15%-35% with same carriers and plans
- Risk based pricing
- Buying power
- Avoid ACA rating and requirements

Top Reasons Employers Select a PEO: Workers' Compensation



- Generally, 10-15% savings
- Risk and Safety management
- Pay as you go – no audits

Top Reasons Employers Select a PEO: Integrated Systems



- Integrated management of HR and benefits administration systems
 - HRIS, Payroll, Benefits Administration
 - Time and Attendance Management
 - Employee Onboarding and Learning Management
 - 401(K), Voluntary Benefits Administration
 - Regulatory Filings

Top Reasons Employers Select a PEO: Compliance & HR Support



- Revenue Generation
- Administrative Relief
- Net Profit Protection
- Employee Engagement



Evaluating PEO's

How to Shop and Compare Multiple PEOs at Once

How do you even start to find who is right for your firm?

CoADVANTAGE®

ADP

TriNet
Ambitions Realized™

JUSTWORKS.

 **Prestia**

ENGAGE
PEO

 **Insperity**

Extensis

 **vensure**

PAYCHEX

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BECAUSE EMPLOYEES MATTER

How to Shop and Compare Multiple PEOs at Once

Easy to Understand Cost Summary with Detailed Service Breakdowns

Total No of Insured: 100 | 12
Full-time/Part-time Employees: 80/32

Service Offering	PEO 1	PEO 2	PEO 3	PEO 4
Total	\$792,810	\$857,356	\$689,144	\$595,814
Startup Fee	✓ Included \$ 0.00	✓ Included \$ 0.00	✓ Included \$ 0.00	✓ Included
Voluntary Benefits	✓ Included \$ 0.00	✓ Included \$ 0.00	✓ Included \$ 0.00	✓ Included
Retirement Program	✓ Included \$ 0.00	✓ Included \$ 0.00	✓ Included \$ 0.00	✓ Included
Other	✓ Included \$ 0.00	✓ Included \$ 0.00	✓ Unknown \$ 0.00	✓ Included
Staffing	✗ N/A \$ 0.00	✗ N/A \$ 0.00	✓ Included \$ 0.00	✓ Included
Expense Management	✓ Included \$ 3,360.00	✓ Included \$ 0.00	✓ Included \$ 0.00	✓ Included
Payroll & Reporting	✓ Included \$ 10,289.36	✓ Included \$ 10,368.96	✓ Included \$ 0.00	✓ Included
Performance Management	✓ Included \$ 1,898.40	✓ Included \$ 0.00	✓ Included \$ 0.00	✗ Additional
Training and Development	✓ Included \$ 0.00	✓ Included \$ 0.00	✓ Included \$ 0.00	✗ Additional
Government Compliance	✓ Included \$ 0.00	✓ Included \$ 0.00	✓ Included \$ 0.00	✗ Additional
Employment Practices Liability Insurance (EPLI)	✓ Included \$ 0.00	✓ Included \$ 0.00	✓ Included \$ 0.00	✗ Additional
Applicant Tracking and Onboarding	✗ Additional \$ 0.00	✗ Additional \$ 0.00	✓ Included \$ 0.00	✗ Additional
Insurance carrier	HealthFirst Anthem Aetna Kaiser Permanente MetLife	Kaiser Permanente Aetna HealthFirst	Aetna UnitedHealthcare	Aetna
Vendor Scoring			45%	

With Breakdowns (arrow pointing to Time and Attendance)

What Do PEO's Cost?

Percentage Of Payroll

- Includes Administrative costs, Workers Comp., and Taxes
- May be ideal for larger organizations with lower-waged employees.
- Difficult to understand

PEPM

- Flat fee per employee per month
- Ideal for smaller organizations with higher-waged employees.
- More transparent

ESAC: THE INDUSTRY'S FINANCIAL RELIABILITY STANDARD



EMPLOYER SERVICES ASSURANCE CORPORATION

- 5% of PEOs are ESAC accredited
- ESAC certification and bonding are the industry's gold standard for financial reliability
- Similar to FDIC, ESAC provides financial assurance:
 - \$15M in surety bonds back PEO performance in payment of wages, payroll taxes, employee benefits, and insurance premiums
- PEO participation is voluntary

CPEO: CERTIFIED BY THE INTERNAL REVENUE SERVICE

CPEO

Certified Professional Employer Organization

CERTIFIED PROFESSIONAL EMPLOYER ORGANIZATION

- Around 6% of U.S. PEOs are Certified PEOs (CPEOs)
- To qualify for IRS certification, PEOs must meet specific tax compliance, background, experience, business location, independent financial review, reporting, bonding and other requirements
- CPEOs offer regulatory certainty not available through Non-Certified PEOs



NAPEO: THE INDUSTRY'S TRADE ASSOCIATION

Source: www.NAPEO.org

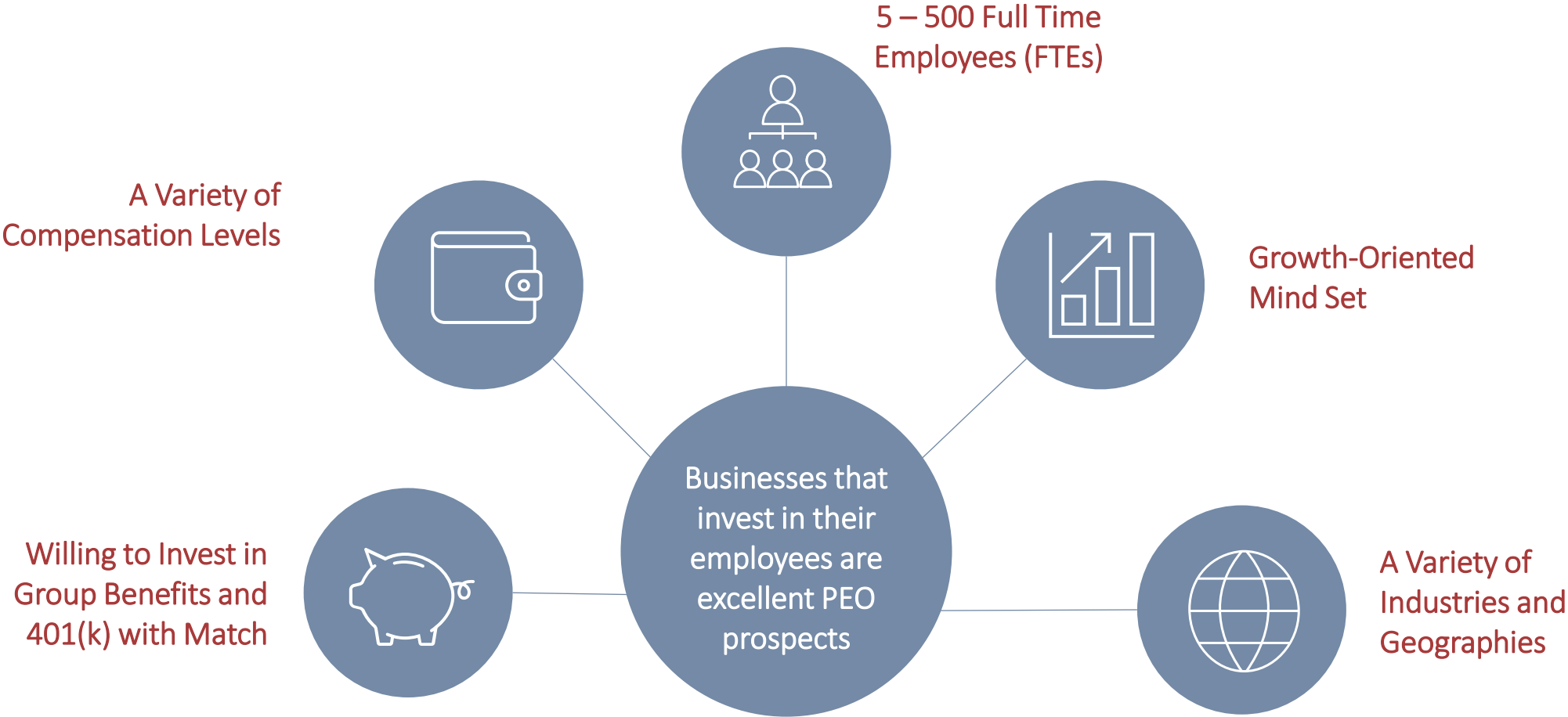
NATIONAL ASSOCIATION OF PROFESSIONAL EMPLOYER ORGANIZATIONS

- Formed in 1984
- The Voice of the PEO Industry®
- The Source for PEO Education®
- Promotes a Code of Ethics and best practices
- Create annual industry studies and quarterly reports



**Which
organizations are a
good fit for PEO?**

Characteristics of a PEO Prospect

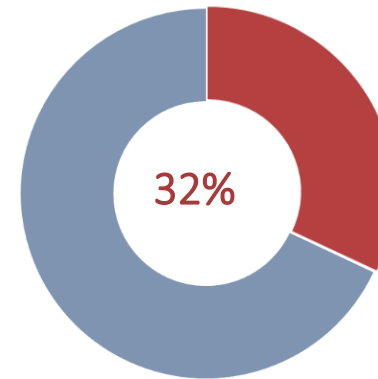


Case Study

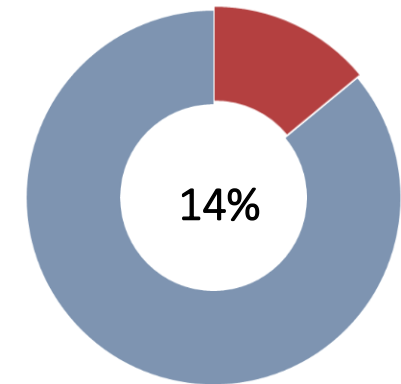
75-employee client was shopping open market benefits and was curious about PEO. USI brought in the Emerson Reid PEO Sales Desk to give a comparison:

- Emerson Reid handled quoting, sales support, and onboarding
- Client streamlined to a fully integrated payroll, HR and benefit solution
- Client saved 32% on medical with the PEO over open market and lowered workers' compensation by 18%

Emerson Reid will handle renewals going forward and will be able to assess if carving out medical will be prudent in the future.



Client's Savings on Medical



Client's Savings on Workers' Compensation

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THANK YOU