PEO Purchasing Guide

What Is A PEO?

PEO stands for Professional Employer Organization. A PEO allows business owners to outsource many of the administrative functions associated with human resources (HR), such as payroll, compliance and employee benefits administration.

There are various ways to structure an administrative or HR outsourcing arrangement, and most full-service PEOs can structure their offering to match your needs. One outsourcing structure unique to PEOs is co-employment. In a co-employment relationship, a PEO becomes the employer of record for your workers, assuming much of the responsibilities (and sharing the risks) of your company’s complex employment matters while you continue to direct your employees’ day-to-day activities.

Why Do Companies Need A PEO?

PEOs provide proven processes and advanced technologies that help growing companies more effectively and efficiently manage their day-to-day HR functions like recruiting, payroll administration and employee benefits. And because PEOs maintain teams of accredited HR experts, they can also handle the more complex HR matters that often confound business owners – things like claims administration and compliance issues. Some business owners choose to employ a PEO so they can focus more on their core business, others so they can achieve greater operating efficiencies, and still others so they can save money. Companies that use PEOs often realize all of these benefits and more:

HR Outsourcing & PEO Industry Statistics:

- The average cost of managing HR and administrative functions “in house” is $2,000 per employee, per year for mid-size businesses. ¹
- Organizations that outsource multiple functions to a single vendor save an average of 32% on administering these functions compared to those using multiple vendors. ¹
- PEO clients grow 7 to 9% faster than companies who don’t use a PEO. ²
- PEO clients experience 23 to 32% less turnover compared to other companies. ²

¹ "The Hidden Reality of Payroll & HR Administration Costs.” – PwC. 2011
Does your business need a PEO? Ask yourself these questions:

- Are your employees asking for benefits you can’t afford or aren’t equipped to administer properly?
- Are you completely confident your company is in compliance with all state and federal regulations, including the Affordable Care Act (ACA)?
- Is your turnover rate adversely affecting your company’s performance?
- Do you have a dedicated HR department? If so, is your HR department as effective or as efficient as it should be?
- Do you have access to integrated technology that allows you to facilitate efficiency during the various stages of the employee lifecycle?
- Are you spending too much for workers’ compensation insurance?
- How does your organization source new employees? Is your recruitment process as efficient as you would like it to be?
- How much time does your staff spend manually collecting and entering time and attendance data?

Selecting The Right PEO For Your Business

Selecting a PEO should be a process conducted by engaged decision-makers who understand your company’s business goals and know what the business needs from an HR provider. A steady, slow-growth business may merely want to alleviate some of its administrative burdens. In that case, an a la carte model that allows the company to outsource several select functions, like payroll and benefits administration, and retain others, may be appropriate. On the other hand, a more dynamic, faster-growth business may decide it wants more strategic, comprehensive HR services to support its growth objectives. Decision makers also need to understand the breadth of a PEO’s service offering to determine whether or not that firm can help the company achieve its goals and contribute to greater operating efficiencies.

Understanding A PEO’s Service Offering

A PEO’s service offering will distinguish it from other PEOs. Some PEOs try to commoditize tactical services, while others can deliver strategic services that are both high-tech and high-touch. Knowing the breadth of available services can aid decision makers in selecting the right PEO partner for their business.

Over the next few pages we’ve outlined a list of services G&A Partners provides to its PEO clients. Which of these services could help your business operate more efficiently or achieve greater productivity?
Position Your Company for Success with a PEO

Recruitment
- Sourcing of candidates
- Web-based applicant tracking tool
- Job description review and classification
- Job description support
- Job postings
- Resume screening based on client criteria
- Access to pre-hire job assessments
- Pre-hire drug testing
- Pre-hire background testing
- Pre-hire medical exams

Payroll
- Payroll setup
- Client training
- Payroll tax filing
- Form W-2 & W-4 printing, filing and mailing
- Direct deposit
- Payroll processing of weekly/bi-weekly/semi-monthly/monthly payroll cycles
- PTO, vacation and sick leave accrual
- Employment verification of current or past employees
- Online payroll submission
- Automated standard deductions
- Standard payroll reporting
- Child support administration
- Garnishment & levy administration
- New hire reporting
- Access to integrated time and attendance system

Benefits Administration
- Access to group medical, dental, vision, life, STD, LTD, etc.
- Access to voluntary benefits
- Access to employee assistance program
- Onsite assistance for open enrollment
- Web-based benefits enrollment tool
- Adding/deleting employees in carrier system
- Handling employee calls regarding coverage and claims
- Reconciling carrier invoices and remitting payments
- COBRA administration
- 401(k) plan and administration
- Section 125 Plan administration
- PTO tracking
**Human Resources**
- HR manager/employee web-based self service portal
- Customer Care Center (7:30am – 7pm, Mon – Fri)
- Customized employee handbook
- Access to electronic new hire onboarding tool
- Employment practices liability insurance
- Required worksite postings
- EEO-1 reports
- Annual HR audit
- HR investigations
- Assistance with employee performance management
- Access to web-based employee performance management tool
- Employee disciplinary support
- Employee termination support
- Employee exit interview support
- Unemployment insurance (UI) claims administration

**HR & Customer Care Training**
- Monthly HR updates/bulletins
- Onsite supervisory HR training
- Access to online supervisory HR training
- Onsite customer care training
- Web-based eLearning and employee development tool

**Risk Management & Safety Services**
- Workers’ compensation coverage and claims administration
- Written accident prevention plan
- Safety training
- Onsite safety inspections
- Post-accident investigations
- OSHA assistance
- Safety and risk management consulting services

**Affordable Care Act (ACA) Compliance Support**
- Strategy development around tax and penalty impacts, types of coverage, cost of coverage, etc.
- Exchange notices
- Annual IRS reporting assistance (Forms 1094-B, 1095-B, 1094-C, 1095-C)
- Measurement and stability period tracking
- Monitoring of benefit eligibility for part-time/variable-hour employees
Buying A PEO’s Services

Once you’ve identified one or more PEOs that are qualified to deliver the services your business needs, you are ready to begin the buying process. Engaging a PEO is a smart move for growing companies, but the process of purchasing services and transitioning your company’s HR functions can be daunting. Understanding the steps involved will help make the process run more smoothly for you and the PEO you select as your future business partner.

The PEO buying process generally consists of four steps:
- Choosing services
- Gathering information
- Generating a quote
- Client onboarding

Choosing Services

When deciding which PEO services your company needs, it is important to recognize your organization’s own strengths and weaknesses so you can determine precisely which services will best support you and your employees. Knowing your needs, as well as the different services each PEO provides, can help you make a better buying decision.

Here’s another tip to keep in mind when selecting services you may want for your business – don’t skimp. PEOs may be able to offer you a better price per service if they can group multiple services together at the outset of the engagement, rather than having new services added piecemeal throughout the life of the contract. Certain services, like payroll administration and other critical functions, are also often required in order for a firm to provide PEO services.

Gathering Information

When you have narrowed a list of prospective PEOs to the few that can best meet your company’s needs, you can request price quotes. To generate accurate quotes, PEOs need to collect considerable information about your company and its business goals. This information-gathering process may seem cumbersome, but providing accurate information during this stage is crucial. When you provide complete and current data, you make it easier for prospective PEOs to understand your specific needs and give you the best, most precise pricing.
To give you a more detailed example, G&A Partners collects the following information from prospective clients:

**Contact Information and Company Demographics**

In addition to general company contact information, G&A asks prospective clients to provide their federal ID number, number of years in business, website addresses, business sectors, number of employees and their locations, SIC codes, NAICS codes, and whether or not they are involved in government contracts. In addition, we ask that the companies compile a list of people who will be involved in the buying and onboarding processes and their contact information.

**Accounting**

G&A also asks prospective clients to let us know what accounting software platforms they currently use, and whether it allows for the integration of the client’s payroll and accounting systems.

**Workers’ Compensation and Risk**

Before a quote can be generated, G&A needs to assess a company’s exposure to risk and learn about its existing workers’ compensation insurance.

Below is an example of a table prospective clients are asked to complete for G&A Partners during the information gathering stage of the buying process. For each job type per state, the company would need to provide a workers’ compensation code, a brief description of the job, the number of full-time employees, the number of part-time employees, and the annual wage for the position.

<table>
<thead>
<tr>
<th>STATE</th>
<th>WC CODE</th>
<th>SKILL / JOB DESCRIPTION / GROUP</th>
<th>FT</th>
<th>PT</th>
<th>ANNUAL WAGE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
At this point, G&A also asks prospective clients to let us know about any workers’ compensation providers they are currently using, how many years they have been with them, what they pay in annual premiums, and what kind of deposit they put down originally. We also ask that prospective clients supply a copy of their current declaration pages, NCCI experience modifier worksheet, and a copy of loss runs for the past three to five years.

Additionally, a PEO may ask prospective clients to complete a questionnaire like the one below to further assess the company’s risk exposure and workers’ compensation requirements.

1. Is your company engaged in any other type of business?
2. Does your company have a light duty return-to-work program for injured employees?
3. In the past 3 years, has your company had any employment-related lawsuits, grievances, or EEOC claims?
4. Does your company use subcontractors?
5. Does your company have a formal safety program in place?
6. Has your company ever been cited by OSHA, EPA, or the state for violation of a law, regulation, or ordinance?
7. Do you conduct safety meetings?

Human Resources

To generate a thorough quote, G&A needs to inquire about the HR initiatives prospective clients currently perform, as well as those they need to put in place in order to improve their productivity.

For example, G&A may ask about a prospective client’s hiring methods and whether or not they could benefit from recruiting services. We would also ask if the company has an up-to-date employee handbook, or what written policies are already in place, if any.

For any prospective clients that are already using a PEO or have used a PEO in the past, G&A will also ask for the name of their current/previous service provider and the date they initiated that relationship.
Payroll

One of the first questions a PEO will ask regarding a prospective client’s payroll systems is likely to be, “How do you track your employees’ time and attendance?”

Automated tracking of time and attendance is a proven way for companies to more effectively and more accurately generate payroll information. G&A Partners provides its clients with access to its own proprietary time and attendance system as part of its service offering, but can also accommodate other systems as well as manual time and attendance records uploaded by the client.

In addition to providing information about their existing payroll software and its requirements, G&A also asks prospective clients to gather W-2 information for the prior two years as well as general payroll information, like gross wages and overtime hours. At this point, we also ask about any changes they client might be making or would like to make in the near future that would require a large number of new employees to be added to the payroll, such as a new office location or an acquisition.

Finally, G&A asks to review prospective clients’ last two payroll reports/register AND their state unemployment insurance (UI) tax return.

Group Benefits

During the information gathering stage, G&A will also ask about the types of insurance a prospective client currently provides and whether they would like to offer additional benefits to your employees.

Coverage options G&A and other PEOs offer generally include: medical, dental, vision, short-term disability, long-term disability, group life, flexible spending accounts, 401(k) plans and Section 125 accounts. The account representative you’re working with should be able to answer any questions you have about employee benefits at this stage.

Medical Plan

If a prospective client currently provides insurance for its employees, G&A will ask about their current carrier, how many years they have been with them, their renewal date, current contribution strategy and the premium rates for each of the various plans they offer. This information is often conveniently compiled within a recent group medical invoice and benefit plan summary.
Once all the necessary information previously outlined is gathered and turned over to your prospective PEO, they may still follow up with additional questions to clarify your existing services or future needs as they proceed to generate a detailed price quote.

**Generating a Quote**

Unlike other service providers, the process of generating a quote for PEO services can be quite complex. Because no two companies are exactly alike, every proposal and price quote must be customized to each prospective client. Once a quote has been created, your prospective PEO will present their service proposals and answer any questions you may have to help you understand the nuances of their proposals and their associated pricing.

Most PEOs charge for their services in one of two ways: either as a percentage of total payroll (typically between 3-8 percent), or as a flat per-employee-per-year (PEPY) fee. In both of these cases, the exact price or rate will often depend on what services your company will be receiving from the PEO. In both scenarios, companies may incur additional fees because of other value-added offerings, like additional benefits, talent management products and recruitment services. Many companies are often surprised to find out that the cost of PEO services is typically less than the cost of hiring one additional full-time employee to manage all of the functions they are outsourcing to their PEO.

**Client Onboarding**

Once you have selected the best PEO for your company and have executed a CSA (Customer Service Agreement) with your new PEO, you will enter the client onboarding process. Often, this process will begin with a kick-off meeting with the people in your organization who will be involved in the transition to the PEO, as well as members of your assigned account team. During this meeting, you and your account team will outline the transition process, clarify the scope, define goals, and establish a process timeline.

As your new PEO systems are being set up, your PEO’s subject matter experts will likely engage with you and appropriate members of your team to learn more about your company’s payroll, benefits, workers’ compensation, workplace safety, and other HR and administrative processes to understand your company’s current policies and processes in more detail, and identify opportunities where they can increase efficiency or effectiveness.
Throughout the implementation process, which is often completed based on a 90-day timeline, the transition of your company and its employees to your PEO is watched closely to ensure that all systems are working properly and all the necessary deadlines have been met. At various points during this process, your account team may also reach out to provide training on the services and systems your company has chosen to implement.

Below is a sample timeline G&A Partners uses for the implementation process:

**Next Steps**

Once the initial implementation process is finalized and all of the action items on your transition timeline have been completed, your account will then be transitioned to your permanent account service team; however, all PEO representatives who assisted in the onboarding process will remain accessible to your company throughout the remainder of your contract.
Conclusion

Beyond a typical HR outsourcing relationship (often called an administrative services organization or “ASO” relationship), when you engage a Professional Employer Organization (PEO), you gain an HR partner that is truly invested in your company’s success and that can provide an added layer of protection and service to your business and its employees. Throughout the life of your partnership with your PEO, you will have at your disposal all the HR experience, qualifications, and hands-on support your company could possibly need, all for roughly what it would cost to hire just one HR professional.

If you’ve made the decision to partner with a PEO, congratulations! You’re well on your way to enjoying greater operating efficiencies, minimized liabilities, lower overhead costs and the many other benefits PEO clients enjoy. But how do you start your search for the perfect PEO for your company?

A great place to start is right here, at G&A Partners. G&A Partners has been a leader in the PEO industry for more than 20 years. Unlike other PEOs that promise more than they can deliver, G&A Partners is a forward-looking HR partner with unrivaled human resources expertise, innovative technology and reliable service that helps business leaders focus more of their time on what matters most: growing their business.

If you’re already a G&A client under an ASO arrangement, upgrading your service agreement to a PEO arrangement is incredibly simple: Just reach out to a member of your G&A account team and let them know that you’re interested in switching to a PEO arrangement. Because G&A is already processing your payroll and providing other HR services, the information gathering stage of the buying process is very straightforward and will require less effort on your part.

If you’re not a G&A client, starting the PEO purchasing process is simple:

1. Visit [www.gnapartners.com/get-started](http://www.gnapartners.com/get-started) or call (888) 909-7920 to schedule a free business consultation with one of G&A’s business advisors.

2. A business advisor will then reach out to you to learn more about your business in order to generate a quote for PEO services based on your company’s unique needs.

3. Once you and G&A have reached an agreement on the scope and price of services, complete and sign a contract for PEO services.

4. Start enjoying the many benefits you’ll experience as a client of G&A Partners!
About G&A Partners

If you’re looking for a trusted PEO partner that offers outstanding service, top-tier employee benefits plans and more than 20 years of HR experience, look no further. As a leader in the PEO and HR outsourcing industry, G&A Partners specializes in partnering with businesses owners who are in need of additional back-office support to design solutions that allow them to focus more of their time, talent and energy on growing their businesses, instead of on tedious HR and administrative tasks.

For more information about how G&A Partners can help you accomplish your business goals, visit www.gnapartners.com/get-started or call (888) 909-7920 today to speak with an HR expert.

Disclaimer: No part of this document, in whole or in part, may be reproduced, stored, transmitted or used for design purposes without the prior written permission of G&A Partners. The whitepapers of G&A Partners are made available for educational purposes only and are not to be used to provide legal advice.