

PEO Overview



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What is a PEO?

A professional employer organization (PEO) provides comprehensive HR solutions for small businesses. Payroll, benefits, HR, tax administration, workers compensation, liability coverage, and regulatory compliance are some of the many services PEOs provide to small businesses.

Co-Employment

The PEO relationship involves a contractual allocation and sharing of employer responsibilities between the PEO and the client. This shared employment relationship is called co-employment. As co-employers with their client companies, PEOs contractually assume substantial employer rights, responsibilities, and risk through the establishment and maintenance of an employer relationship with the workers assigned to its clients. More specifically, a PEO establishes a contractual relationship with its clients whereby the PEO:

- › Co-employs workers at client locations, and thereby assumes responsibility as an employer for specified purposes of the workers assigned to the client locations.
- › Reserves a right of direction and control of the employees.
- › Shares or allocates with the client employer responsibilities in a manner consistent with maintaining the client's responsibility for its product or service.
- › Pays wages and employment taxes of the employee out of its own accounts.
- › Reports, collects and deposits employment taxes with state and federal authorities.
- › Establishes and maintains an employment relationship with its employees that is intended to be long term and not temporary.
- › Retains a right to hire, reassign and fire the employees.

Why PEO?

- › Businesses today need help managing increasingly complex employee related matters, including employee relations, ACA guidance/compliance, health benefits, workers' compensation claims, payroll, payroll tax compliance, and unemployment insurance claims. They contract with a PEO to assume these responsibilities and provide expertise in human resources management. This allows the PEO client to concentrate on the operational and revenue-producing side of its operations.
- › By providing payroll, benefits, and HR services and assisting with compliance issues under state and federal law, PEOs allow small businesses to improve productivity and profitability, to focus on their core mission, and to grow.
- › Through a PEO, the employees of small businesses gain access to big-business employee benefits such as: 401(k) plans; health, dental, life, and other insurance; dependent care; and other benefits they might not typically receive as employees of a small company.
- › Small group market expansion in 2016 from 51 to 100 lives in New York



PEO Facts

- › Approximately 250,000 small and mid-sized businesses and 2.5 million worksite employees are part of PEO arrangements.
- › PEOs provide access to healthcare for as many as 4 to 6 million people.
- › The average size of a small business client of a NAPEO member is 20 employees.
- › Approximately 700 PEO's currently operating in the U.S.
- › 20% Annual Growth rate for each of the last Six years according to National Association of Professional Employer Organizations (NAPEO).
- › 40% of businesses that use PEOs upgrade their benefit packages as a result.
- › Nine out of 10 PEOs provide services such as customized employee handbooks, recruitment, pre-employment screening, wage and compensation planning, and assistance with job descriptions.



The Growing BURDEN

of Employment Law and Regulation

Case Law
Common Law

By 1900

Case Law
Common Law
Davis-Bacon
FICA
FLSA
IRC
Local Law
NLRA
RLA
State Law

By 1940

ADA (age)
ADEA
CAA
Case Law
CCPA
CERCLA
COBRA
Common Law
CRA
CWHSSA
Davis-Bacon
EPA
ERA
ERISA
FICA
FLSA
FUTA

FWPCA
IRC
Local Law
LMRA
LMRDA
MOSCA
MSHA
NLRA
OSHA
PDA
RLA
SDWA
State Law
SWDA
TSCA
VEVRAA

By 1980

ADA
ADA (Age)
ADAAA
ADEA
Adoptions Act
AHERA
AIR21
AJCA
ARRA
BLBA
CAA
Case Law
CCPA/CPCPA
CCRA/CCRA
CERCLA
CHIPRA
CLASS Act
COBRA
Common Law
Copeland
CRA '64 & '91 (Civil Rights)
CRA (Com. Reinvest)
CWHSSA
Davis Bacon
DFWA
DOMA
ECPA
EGTRRA
EPA
EPA/NEPA
EPPA
ERA-EPA
ERISA
FCRA
FDA
FICA
FLSA
FMLA
FRSA
FUTA
FWPCA
GINA
HIPAA
HIRE Act
HITECH
HMO
INA
IMMACT
IRC

IRCA
ISCA
JCWAA
Ledbetter Act
LHWCA
LMRA
LMRDA
Local Law
MHPA
MHPAEA
Michelle's law
Miller Act
MOSCA
MSHA
MSPA/MWPA
NEPA
NLRA
NMHPA
NTSSA
OSHA
OWBPA
Walsh-Healy
PDA
PFEA
PPA
PPACA/HCERA
PRWORA
PSIA
REA
Reid-McConnell
RLA
RPA
SBJPA
SDWA
SOX
SSA
STAA
State Law
SWDA
TEFRA
TIPRA
TRA-1986
TRA-1997
TSCA
USERRA
VEVRAA
WARN
WRERA

Present Day

RFP Requirements

Prospect NOT with a PEO	Prospect with a PEO
Employee Census	Employee Census
State Unemployment Rate (all states that apply)	PEO Payroll Invoice (from January 1st & most recent)
Workers Compensation Policy/Declaration Page & Workers Compensation Three Year Loss Runs	Workers Compensation Three Year Loss Runs
Medical Questionnaire	Medical Questionnaire
Medical Insurance Plan Designs (please provide renewal)	Medical Insurance Plan Designs (please provide renewal)
Health Insurance Invoice & Employer Contribution	Health Insurance Invoice & Employer Contribution

Employer Services Assurance Corporation (ESAC)



The Employer Services Assurance Corporation (ESAC) provides an accreditation and financial assurance program for the professional employer organization (PEO) industry. An independent non-profit corporation, ESAC is managed by a board of directors that includes PEO industry attorneys and CPAs as well as independent directors representing over 100 years of combined PEO industry regulatory experience. ESAC has been building integrity and trust for the PEO industry since 1995. **Today, ESAC is recognized nationally as the gold standard for PEO reliability and financial assurance!**

ESAC Mission and Financial Assurance.

ESAC's mission for the PEO industry is similar to the missions of FDIC for the banking industry, SIPC for the securities industry, and state insurance guaranty associations for the insurance industry. ESAC ensures that accredited PEOs' performance of key employer responsibilities to their clients, employees, insurers and regulatory authorities is backed by over \$15 million of surety bonds held in trust at a national bank!

ESAC Accreditation Services

ESAC's accreditation process verifies a PEOs' ongoing financial solvency and compliance with government regulations and important industry standards that demonstrate the PEO's financial stability, ethical business conduct and adherence to operational standards and regulatory requirements.

Accredited PEOs provide ESAC with comprehensive compliance data including audited financial statements, quarterly independent CPA verification of payment of taxes, benefit contributions and insurance premiums, and evidence of required employer insurance coverages. Compliance is then verified by independent financial and legal advisors, ESAC's surety carrier and ESAC staff, under the oversight of ESAC's independent directors. Verifying a PEO's accredited status reduces the amount of due diligence required by prospective PEO clients.

PEO Partners

TriNet SOI:

- › A bundled HR product designed for office and non-office bound workforces (blue collar), such as health care, hotels and resorts, manufacturing, real estate, restaurants, retail and skilled trades.
- › Aetna Medical (can be carved out), multiple rate bands available, quarterly renewals, bundled admin/service fees, commission is a percentage of payroll (flexible).

TriNet Passport:

- › A bundled HR product for commercial banking, consulting firms, financial services, health care, insurance companies, not-for-profits, professional services, RIA and broker dealers, technology and venture capital companies. High level technology solution.
- › Aetna Medical (can't be carved out), multiple rate bands available, quarterly renewals, Flat PEPM admin/service fees, commissions paid on administrative fees.

TriNet Ambrose:

- › TriNet's premium bundled HR product designed exclusively for hedge funds, private equity firms, investment banks, and institutional investment firms. White glove service model catered to ultra-high net worth individuals and their families.
- › Both Aetna and UHC/Oxford Medical plans available, 90th% UCR available, October renewal, multiple medical rate bands available, flat PEPM admin/service fees, commissions paid on administrative fees, no minimum # of employees required.

Prestige:

- › A bundled HR product primarily for white & grey collar markets.
- › Oxford Medical (can't be carved out), November renewal, rate bands available for favorable demographics, flat PEPM admin/service fees, commission is 4% of medical premium, simplified initial UW process to assess viability.





PEO Partners

Engage:

- › A bundled HR product primarily for grey & blue collar markets.
- › Aetna Medical (can be carved out), January renewal, multiple rate bands available, flat PEPM admin/service fees, commission is typically \$12.50 PEPM.

HROI:

- › A bundled HR product primarily for blue collar markets.
- › Aetna medical, July renewal, flat PEPM admin/service fees, CPEO - certified PEO status, commissions paid on administrative fees, require individual medical questionnaires for groups with fewer than 25 enrolled on medical (25 or over requires a group questionnaire).

CoAdvantage:

- › Designed primarily for white and grey collar markets with some higher blue collar opportunities
- › Aetna Medical, October renewal, multiple rate bands available, commissions paid on administrative fees, can write down to 5 enrolled.

Justworks:

- › Designed for employers in the white collar vertical, specifically in the technology, professional services and financial space with 8810 comp codes (office employees only)
- › Aetna Medical (can be carved out), November renewal, multiple rate bands available, Flat PEPM admin/service Fees (reduced for PT employees), commissions paid on administrative fees, only a dependent level census is required for FIRM medical rates (no group medical questionnaire required), will write down to 1 employee.



What Does the Small Business Efficiency Act (SBEA) Mean for the PEO Industry?

The SBEA Makes the Following Changes to the Internal Revenue Code:

- › **Certification Process:** The IRS is required to create a voluntary certification program for PEOs.
- › **PEOs Recognized Under Federal Tax Law:** PEOs that choose to be certified (CPEOs) will have clear statutory authority to collect and remit federal employment taxes under the CPEO's EIN for wages the CPEO pays to worksite employees. CPEO customers will never be liable for those taxes.
- › **Customer Eligibility for Tax Credits Confirmed:** The SBEA expressly codifies that customers of CPEOs will qualify for specified federal tax credits that the customers would be entitled to claim if there were no PEO relationship.
- › **CPEO Gets Federal Tax Credit for SUTA Taxes Paid:** If a CPEO (or a customer) makes a contribution to a state unemployment fund with respect to wages paid to a worksite employee, the CPEO receives the federal (FUTA) tax credit with respect to that contribution.
- › **Potential Double Taxation Eliminated:** The FICA and FUTA wage bases will not restart when a customer joins or leaves a PEO mid-year.

Implementation:

- › **Effective Date:** The SBEA has been effective since January 1, 2016.

**This document is to be used for guidance only and is not meant to be used in place of tax or legal advice. Consult with a tax professional for specific tax advice.*

THANK YOU



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