



The PEO Purchasing Guide

Everything Professional Services Businesses Need to Know
About Hiring a Professional Employer Organization (PEO)



<u>Introduction</u>	1
What is a PEO?	1
<u>Does Your Business Need a PEO</u>	2
Selecting the Right PEO For Your Business	3
What Services Do PEOs Offer?	4
<u>Initiating the Buying Process</u>	6
Choosing Services	7
Gathering Information	8
Generating a Quote	11
Client Onboarding	12
<u>Final Thoughts</u>	13

What is a PEO?

PEO stands for professional employer organization. A PEO allows professional services 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 such as G&A Partners 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 professional services business owners – things like claims administration complex employee relations 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, provide a more robust, competitive benefits package, and still others so they can save money. Companies that use PEOs often realize all of these benefits and more.

Does Your Professional Services Business Need a PEO?

Begin by asking 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 compliant with all local, state, and federal employment regulations?
- ▶ Is your employee turnover rate adversely affecting your company's performance?
- ▶ Do you have dedicated HR staff? If so, is your HR department as effective or as efficient as you'd like it to be?
- ▶ Do you have access to integrated technology that allows you to facilitate efficiency during the various stages of the employee lifecycle?
- ▶ Are you paying 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?

When reflecting on your answers, look for potential gaps in your HR administration, such as uncertainty about compliance issues or lack of dedicated staff. Or do your answers identify needs that are impacting your company's performance, such as high employee turnover or an inefficient recruiting process?

If so, a PEO may be the answer your business needs to improve daily HR administration while positioning your professional services business to grow and succeed.

Selecting the Right PEO for Your Professional Services 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.

If your company is a steady, slow-growth business, you may want to alleviate some of your administrative burdens. In that case, an a la carte model that allows you to outsource several select functions, like payroll and benefits administration, and retain others, may be appropriate.

On the other hand, if your business is a more dynamic, faster-growth business, you may decide you want more strategic, comprehensive HR services to support your growth objectives.



PEO & HR Outsourcing Industry Statistics

Did you know?

The average cost of managing HR and administrative functions "in house" is \$2,000 per employee, per year.¹

Organizations that outsource multiple functions to a single vendor (like a PEO) save an average of 32%¹ on administering these functions than those using multiple vendors.

Companies using a PEO grow 7 - 9% faster.²

PEO clients are 50% less likely to go out of business.²

Companies using a PEO experience 23 - 32% less employee turnover.²

Businesses that use a PEO are 28% more satisfied with their selection of health care benefits.³

PEO clients are 15% more satisfied with the quality of new hires.³

¹ "The Hidden Reality of Payroll & HR Administration Costs." PwC. 2011

² "Professional Employer Organizations: Keeping Turnover Low and Survival High." McBassi & Company. 2014

³ "PEO: Taking Outsourcing a Step Beyond Pays Off for Small and Mid-Sized Companies." Aberdeen Group. 2011

What Services Do PEOs Offer?

Your decision-makers also need to understand the breadth of a PEO's service offering to determine whether that PEO can help your company achieve its goals and contribute to greater operating efficiencies.

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 your decision makers in selecting the right PEO partner for their business.

At G&A Partners, our comprehensive, strategic HR solutions can help professional services businesses operate more efficiently and achieve greater productivity. Here's an outline of the extensive services G&A provides its PEO clients.

Recruitment

- Sourcing of candidates
- Web-based applicant tracking system (ATS)
- Job description review and classification
- Job description support
- Job postings
- Resume screening based on client criteria
- Access to prehire job assessments, substance abuse testing, background screening, and 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
- Garnishment, levy and child support administration
- New-hire reporting
- Access to integrated time and attendance system

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 service

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
- On-demand AccessHR team (7:30 a.m.-7 p.m. CST, Mon.-Fri.)
- 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
- Web-based employee performance management tool
- Paid time off and family leave assistance
- Employee disciplinary support
- Employee termination support
- Employee exit interview support
- Unemployment insurance (UI) claims administration
- Timley HR compliance updates/notifications
- Access to online/onsite supervisory HR training
- Web-based eLearning and employee development tool

Initiating the Buying Process

Once you've identified one or more PEOs that are qualified to deliver the services your professional services 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.

➤ **The PEO buying process generally consists of four steps:**

- ▶ **Choosing services**
- ▶ **Gathering information**
- ▶ **Generating a quote**
- ▶ **Client onboarding**

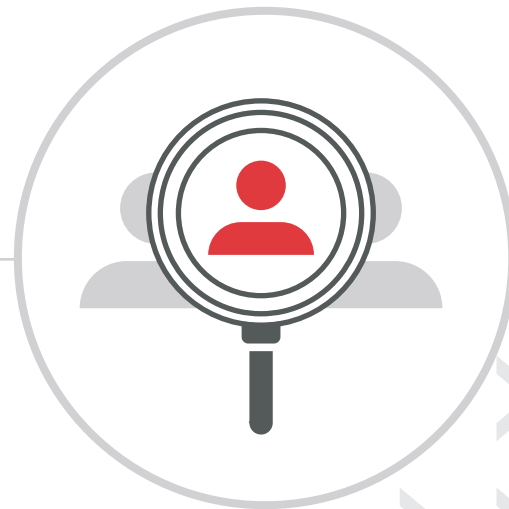
1

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: Bundling more services now may save you money. 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 for a PEO firm to provide services.



2

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 professional services company and your 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.

Here's a detailed example of the information G&A Partners collects from its 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 for a list of people who will be involved in the buying and onboarding processes and their contact information.

Accounting

G&A Partners 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.

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?"

2

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.

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.

At this point, G&A also asks prospective clients to let us know which 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?



2

Human Resources

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

For example, G&A may ask about a prospective client’s hiring methods and whether 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 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.

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 any additional benefits.

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.

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 provided to your prospective PEO, they may still follow up with additional questions to clarify your existing services or future needs before generating a detailed price quote.



3

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 its 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:

- As a percentage of total payroll (typically between 3-8 percent)
- As a flat per-employee-per-year (PEPY) fee.

In both cases, the exact price or rate will often depend on what services the PEO will provide to your company.



4

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.

At G&A Partners, our onboarding team watches closely during the 90-day transition timeline to ensure that all systems are working properly and all necessary deadlines have been met. As your new PEO systems are being set up, G&A's subject matter experts will likely engage with you and your team to learn more about your company's

payroll, benefits, workers' compensation, workplace safety, and other HR and administrative process to understand your company's current policies and processes in more detail and identify opportunities where G&A can increase efficiency or effectiveness.

Once the initial implementation process is finalized and all action items you outlined in your initial kick-off meeting have been completed, your account will 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.



Final Thoughts

Beyond a typical HR outsourcing relationship (often called an administrative services organization or “ASO” relationship), when you engage a professional employer organization such as G&A Partners, 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 your business or organization has 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 companies that outsource their HR 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 and HR outsourcing industry for more than 25 years. Unlike other providers 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.



Whether you need full-service HR support or help in a few key areas, G&A Partners provides the people, processes, and technology you need to grow your business faster and take better care of your employees.

Visit us online or give us a call today to learn more about how G&A Partners’ comprehensive HR solutions can help you achieve your business goals and spend less time dealing with human resources, benefits and payroll.

gnapartners.com