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PEOs: An Unconventional Solution to Offering and Administering Competitive Employee Benefits

Inquiries

SOI
5260 Parkway Plaza Boulevard
Suite 140
Charlotte, NC 28217
800.572.2412
704.426.1121 (fax)
CCD@soi.com



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Business owners across the globe face a similar challenge: how to sell more, spend less and attract and retain highly-skilled, productive employees. And for the average small or medium-sized business owner, these challenges can seem insurmountable when faced with limited time, resources and the expertise required to perform non-core but essential employee-related business functions such as worker's compensation insurance, payroll services and employee benefits. Without the necessary knowledge, these functions can consume enormous amounts of time and end up costing significantly more than they should.

The purpose of this paper is to educate business owners on an unconventional solution that can help alleviate many of the challenges related to having employees and enable owners to offer more competitive benefits packages, reduce costs and concentrate more time and energy on core business functions.

An unconventional solution that makes solid business sense

This unconventional, yet increasingly popular, solution that business owners owe it to themselves to more closely consider is a Professional Employer Organization (PEO). PEOs offer business owners a comprehensive suites of services, including workers' compensation coverage as well as employee benefits, human resource (HR) consultation, risk management, and payroll processing that leverage their expertise and economies of scale. Utilizing the services of a PEO allows owners to focus on running their business and spend less time on administrative tasks that detract from daily operations. It also allows businesses to offer employees benefits typically reserved for much larger companies. It is important to understand that PEOs are not insurance carriers, nor are they insurance agents or brokers (although many insurance agents and brokers routinely refer their clients to PEOs).

How it works

Operating under a co-employment model, PEOs become the legal "employer of record" for employment tax and benefits purposes, thereby assuming many of the employment-related responsibilities and liabilities present in every business. Business owners retain control over the



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supervision and direction of employees on a daily basis as well as the production and delivery of the company's products or services.

Once an employee is on the PEO's payroll, he or she is eligible to participate in the PEO's medical, retirement and supplemental benefits. They are also covered by the PEO's workers' compensation policy, eliminating the hassle of shopping for and administering this complex insurance coverage. It is important to understand that obtaining workers' compensation as part of a PEO's services differs from having a conventional policy issued to your business. When you engage a PEO you are not buying an insurance policy; your employees are covered by policies maintained by the PEO as part of its service.

How PEOs can help your business

Outsourcing certain non-revenue-producing tasks such as payroll processing, benefits administration and reporting and paying employment taxes to a PEO can help business owners:

- Alleviate many administrative responsibilities and reduce liabilities
- Attract and retain highly-skilled employees
- Transfer business risk of many employment-related exposures
- Contain and reduce overall employee-related administrative costs
- Preserve cash flow through "pay-as-you go" workers' comp programs that do not require deposits or audits
- Improve compliance with state and federal laws
- Gain access to expert competencies in HR, Payroll, Benefits, Safety and Risk Management
- Improve safety in your workplace environment
- Improve employee morale and reduce expense and disruption of employee turnover
- Focus on core business and operational management
- Maintain complete control over daily operations

Reduce costs through economies of scale



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Because a PEO can be quite large with literally tens of thousands of employees on its payroll, it can continuously generate economies of scale that small or medium-sized businesses cannot match. By pooling its employees, a PEO is able to negotiate the best rates and benefit programs. Leveraging a PEO's expertise and collective buying power, a business can significantly reduce employment-related expenses and increase profitability.

PEOs may also help businesses lower costs by requiring a smaller, internal HR department based on its reliance on the PEO.

Gain access to experienced specialists

The main objective of most businesses is to earn a profit. In reality, business owners often get distracted by non-revenue-generating functions, resulting in less time to spend on key operations that earn profits. And as a business grows, owners may not have the requisite training or specialized resources in the areas of payroll, human resources, risk management, regulatory compliance, and employee benefits programs to address the needs of employee personnel. The result can be low employee morale, greater employee turnover and increased expenses.

In addition to providing significant time savings by managing many routine and redundant employment-related tasks, a PEO offers:

- Highly-skilled experts who specialize in employment matters
- Large-group resources and access to high quality benefit plans and programs
- Best practices for risk management, high-dollar claims, employee complaints and more
- Effective loss control through good safety practices and active claims management

With more time and a renewed focus, owners can get back to why they got into business in the first place – to turn a profit.

Build a stronger, happier workforce

As a business owner, you understand the importance of attracting, cultivating and retaining the best employees. To accomplish this goal, businesses must offer prospective employees



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financial security, quality benefits, a safe working environment and opportunities for retirement savings. Studies show job satisfaction and productivity increase when employees are provided with professional human resource services, training, employee manuals, safety services, and improved communications.

In many cases, partnering with a PEO is the best opportunity for small and medium-sized businesses to offer Fortune 500®-quality employee benefits such as health insurance, dental and vision care, life insurance, 401(k) retirement saving plans, flexible spending plans and more. Typically, without the expertise and negotiating power of a PEO, smaller businesses can neither manage nor afford to offer these benefits to their employees.

Furthermore, when a company works with a PEO, job security is improved as the PEO implements efficiencies to lower employment costs. In addition to great benefits, employees are able to receive expert services from trained HR specialists that promote loyalty and productivity in the workplace.

Worth a deeper look

While the concept of a PEO is may not be foreign to you, it probably isn't one you've seriously considered – until now. Beyond alleviating the administrative headaches associated with having employees, a PEO can help you secure and protect a strong, productive and loyal workforce, which is critical to the success of your business. Plus by leveraging a PEO's expertise and collective buying power, you can reduce many of your employment lifecycle expenses and return to what you do best – running your business.

Choosing a PEO is an important decision as you must be able to trust your PEO with mission-critical matters such as workers' compensation, benefits and payroll taxes. As you begin your search, you will find numerous PEO options ranging from small, local operations to large national companies, all making similar claims about what they can do for you. Before selecting an organization, here are a few factors to consider in order to find the right fit for your business:



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- **Longevity:** Has the PEO been in business for ten or more years? You want a company that has a proven track record of success.
- **Credibility:** Who are the PEO's business partners? "Blue chip" partners – i.e., recognizable workers' compensation and health carriers – increase the PEO's credibility.
- **Realistic Pricing:** Can the PEO deliver on its promise? While PEOs can provide savings from economies of scale, be wary of those that offer unrealistically low initial pricing.
- **Expertise:** Does the PEO have certified HR, safety professionals, and other experts on staff? Many PEOs lack expertise across the range of employment-related disciplines that can make the difference when something unusual arises.
- **Billing Practices:** How does the PEO charge for its services – "all-inclusive" or per element of service? Ensure you understand how you will pay and what you will receive in return.
- **Service Model:** Is the PEO familiar with businesses like yours? Your PEO should be committed to working with you as a partner and helping you to succeed.


Consider one of the nation's leading PEOs

With clients in all 50 states representing more than \$1 billion in annual payroll, and having been in business for nearly 20 years, SOI is one of the largest and most tenured Professional Employer Organizations (PEOs) in the country. In addition to state-of-the-art human resources and risk management solutions, we offer clients "best of breed" partners that small and medium-sized businesses may not be able to access on their own.

The fundamental nature and defining characteristic of SOI lies within the sense of unity that is established with our clients, their worksite employees, our national partners and our associates. We take pride in the fact that we are more than a vendor to whom our clients outsource various aspects of their operations. Recognizing that our success depends on the success of our clients, SOI seeks to become a trusted member of our clients' strategic teams, aligning our services to help our clients fulfill their visions.



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A horizontal bar composed of four segments of varying lengths and shades of green, ranging from a vibrant lime green to a pale sage green.

We invite you to take a closer look at this unconventional solution to everyday business challenges. Contact one of our skilled professionals today and discover together how SOI can help your business.