

# top 25 questions about PEOs

# What is a PEO?

A Professional Employer Organization (PEO) is a company that provides a range of HR and payroll services to small and medium-sized businesses.

By outsourcing these functions to a PEO, businesses save time and resources and gain access to various benefits, such as group health insurance and retirement plans.

# What does a PEO do?

PEOs **offer** payroll processing, tax compliance, employee benefits, and risk management. They also provide HR consulting and support, helping businesses manage their workforce and comply with labor laws.

Often, a PEO becomes the employer of record for its clients' employees, taking on certain employer responsibilities such as payroll tax filing and workers' compensation. This allows businesses to focus on their core competencies rather than spending time on HR and payroll tasks.

# How does a PEO work legally?

PEOs **operate** through Co-Employment. To establish a Co-Employment relationship, the PEO and the client company enter into a Client Service Agreement, which outlines the responsibilities and obligations of each party.

# What is Co-Employment?

**Co-Employment** is a relationship in which a Professional Employer Organization (PEO) shares certain employer responsibilities with a client company.

In a co-employment relationship, the PEO becomes the employer of record for the client's employees, taking on certain responsibilities such as payroll tax filing and workers' compensation. However, the client company (You) controls its employees' day-to-day management and direction.

# Who regulates the PEO Industry?

A few agencies are involved. The Federal Department of Labor (DOL), the Internal Revenue Service (IRS), each state's Department of Labor (DOL), State Tax Departments, and PEO Licensing departments.

# How long have PEOs been around?

Professional Employer Organizations (PEOs) have been around for several decades. The concept of outsourcing HR and payroll functions to a third-party provider dates back to the 1970s, but the PEO industry, as it is known today, began to take shape in the 1980s and 1990s.

# What is a Certified PEO?

A **Certified Professional Employer Organization (CPEO)** is a type of Professional Employer Organization (PEO) that has been certified by the Internal Revenue Service (IRS). To be eligible for certification, a PEO must meet certain requirements, including:

1. Being in business for at least one year
2. Having at least one client that has been with the PEO for at least one year
3. Having at least \$5 million in net worth
4. Having an established record of compliance with federal employment tax laws



# Which PEO is the best?

All of the PEOs that we work with are amazing. Often, people will tell us that they want a specific PEO, we quote them, and they learn there are better fits than the PEO they wanted.

The only way to know which PEO is best for you is to quote them, do a thorough review, demo their software, and talk to their people. Then you can make an educated decision based on facts, not word of mouth, or you saw a commercial.

# What is an Administration Fee?

An **Administration Fee** is a charge assessed by a Professional Employer Organization (PEO) for its HR and payroll services. Administration fees are based on one of two methods—either a Flat PEPM (PEPM) or a Percentage of Payroll (POP).

A PEPM is a dollar amount you pay monthly per employee. A POP is a percentage of payroll based on your total wages and often is bundled with your other costs.

# How much should you pay for Administration Fees?

That's wholly based on your team size, the services of the PEO, and your negotiation skills.

[Learn more here about them.](#)

# Which Health Insurance carrier is the best?

The one who pays your claim. You should always look for a national carrier that has a vast network. Our PEO partners offer plans from Aetna, Blue Cross Blue Shield, Cigna, United Healthcare, Humana, and Kaiser.

# How is a PEO able to get better plans and rates than me?

Because they are buying in bulk. You are not. PEOs are buying benefits for all of their clients. Therefore, they have leverage that a normal company never would. Remember that mid-size Regional PEO will have 25k people on their health plan. No small employer has that many people.

# What kinds of companies use a PEO?

All kinds of companies use PEOs. We have clients that are white, blue, and gray collar. If you have employees, you should explore using a PEO regardless of your industry.

Learn about [some of the clients](#) that we have helped.

# Do all the PEOs do the same thing?

For the most part, yes. PEOs do differ in which industries they are interested in working with. Some are White Collar PEOs that love financial services companies, others like construction firms, and some work with only a specific industry like golf courses.

Learn about the [different types of PEOs](#).

# What services do the PEOs offer?

PEOs offer payroll, benefits, workers' compensation, human resources, recruiting, and retirement.



# Who do the PEOs use for Payroll?

They process it themselves with their own software. Your payroll works the same in a PEO as outside of the PEO. There are no changes concerning how it's done. It's just done with the PEO versus whoever does it now.

# Who does the PEO use for Health Insurance Benefits?

The PEOs contract with national carriers. Most PEOs have one or two leading carriers. The PEOs also offer Ancillary Benefits, including dental, vision, life, disability, etc. For example, TriNet's main carrier is Aetna, but they also offer BCBS, UHC, and Kaiser.

# Who do PEOs use for Workers' Compensation?

The PEOs all use a master Workers' Comp carrier. It varies depending on the PEO.

# Who do PEOs use for Human Resources?

All of our PEOs have their own Human Resources staff. They are SHRM Certified.

# Who do PEOs use for Retirement?

The PEOs use outside independent companies like Merrill Lynch, Fidelity, TransAmerica, or Slavic.  
The PEOs contract with a retirement provider, and you work with them.

# Who do PEOs use for their HRIS?

It varies. A lot of them use different licensed versions of PrismHR.  
Others created their own software like Justworks.

# What does my Administration Fee cover?

It covers the majority of PEO services. It usually doesn't cover time clocks, recruiting, background checks, or Applicant Tracking software.

We advise always asking the PEO for a list of their additional services to clarify what's covered and what's not. [Read our in-depth article on PEO Administration Fees.](#)

# How does a PEO help a company in the real world?

Sure, a PEO helps companies like this.

A startup needs to get organized, and the two founders have no idea how to “run a business.” They join a PEO. The PEO gets them and their staff’s tax forms, I9s, W-4s, and relevant tax information for their states. PEO helps them choose health plans to offer to their team while advising on what to contribute and helps the team enroll in the plans and pick the right one. The PEO helps ensure the workers’ compensation is correct and paid and that any claims are handled. PEO creates your handbook, helps with offer letters, and ensures that you are compliant. Your employees invest in their future because you have a 401-k, which the PEO handles all of the paperwork for, including 5500s.

Read our [Case Studies](#) on how we have helped other companies.



# How long does it take to get PEO quotes?

It takes 7-10 business days. We do a call with you to understand your needs.

You complete our RFP. We get your quotes and compare them.

Review them with you. Do demos with the PEOs.

You pick the final PEO.

# Why wouldn't I use a PEO?

There are a few potential reasons why a company might choose not to use a Professional Employer Organization (PEO):

**Cost:** PEOs typically charge a fee for their services, which can be a significant expense for some companies.

**Control:** Some companies prefer more control over their HR and payroll processes and may handle these functions in-house.

It's worth noting that PEOs can be a valuable resource for many companies, particularly small and medium-sized businesses, as they can provide access to a range of HR and payroll services that may be cost-prohibitive for these organizations to implement on their own.

# Get started

Let us help you find the perfect PEO for you and your needs.

