

INTRO TO PEOS

PROFESSIONAL EMPLOYER ORGANIZATIONS

WE KNOW PEO.

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FOREWORD

Thanks for requesting this introduction to PEO's. A lot of business leaders are. That's understandable, especially in today's hyper-competitive, complex and highly litigious business environments.

Today's tough regulatory and hyper-competitive marketplace makes evaluating PEO's a smart move for many companies. Maybe you've heard or read some information about PEO's, perhaps through your organization's insurance carrier or payroll provider.

Our goal with this guide, as it is with founding and operating Dinsmore/Steele, is to cut through the clutter and give you an unbiased guide for better understanding PEO's. As a PEO broker, we're not married to any particular PEO provider, so we can deliver straight talk and simple solutions.

Dinsmore/Steele was founded to cut through the clutter and provide clients with the best possible PEO provider for each client. Because you've received this guide, you'll be seeing a short series of emails in the coming days. In each email, we'll dive deeper into PEO's so that you are fully prepared to bring the best solution for your business. We'll also provide checklists or other aids that are designed to simplify the process for you.

Unlike many PEO resources, we focus on placing your PEO policy with the best possible provider, but also to help you avoid the endless emails from dozens of providers (a la Lending Tree-type websites), all asking for the same information over and over again.

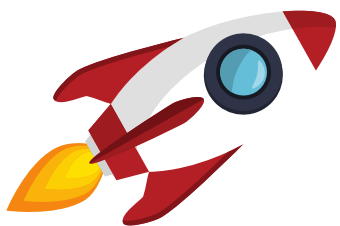
When you work with Dinsmore/Steele, we do the initial PEO search for you, vetting the powerful shortlist of providers to deliver you the best solution at the best possible pricing. We also don't work with PEO's who charge their clients for tax restarts. We'll outline the 2 PEO tax restart options in one of the emails coming to you shortly.

Best of all, our service is free for you to use.

PEO

INDUSTRY

SNAPSHOT



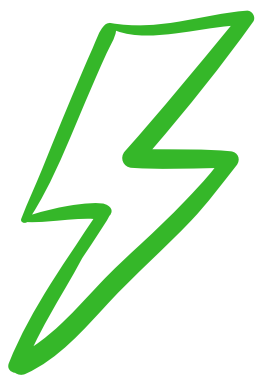
The PEO industry has grown 20%, year over year, for the last 6 years.

The Affordable Care Act (Obamacare) and the Small Business Efficiency Act (SBEA) will further accelerate growth.



Smaller companies outside of PEO's pay 36% for regulatory compliance.

Employee turnover is 32% lower in PEO client companies (better benefits.)





WHAT IS A PEO?

WHAT IS A PROFESSIONAL EMPLOYER ORGANIZATION (PEO)?

A **PEO (Professional Employer Organization)** is a service provider that allows small and mid-size businesses to deliver big business HR, payroll and healthcare solutions to their employees.

Because PEO's are able to negotiate with insurance providers based on their overall size, PEO clients receive great benefits at an overall cost savings to the company.

WHY DO

PEOS EXIST?

For decades, in the U.S., it's been illegal for companies, groups or associations to band together and purchase group medical benefits.

So, in the 1970's, PEO's were created to offer "co-employment," thus providing a legal entity that smaller employers could join and enjoy big company benefits shopping power (more on co-employment shortly).

Over time, PEO's have evolved to include all Human Resource functions, payroll and other benefits to their clients.

...PEO'S WERE CREATED TO OFFER "CO-EMPLOYMENT," THUS PROVIDING A LEGAL ENTITY THAT SMALLER EMPLOYERS COULD JOIN AND ENJOY BIG COMPANY BENEFITS...

PEO's exist to give small and mid-size businesses the ability to negotiate employee benefits and programs at the scale of much larger companies.

The current accelerant to the interest in PEO's is a combination of rapidly increasing healthcare costs and a constant stream of new Federal and State laws and regulations. You are probably feeling the squeeze from these and other forces.



WHY DO

PEOS EXIST?

Without PEO's, many employers would be forced to choose to reduce the quality of the benefits they offer to employees, further depressing profits with higher costs or closing their doors. PEO's are able to function because of co-employment.

Co-employment means that the PEO becomes the employer, for the purposes of tax, payroll and benefits. It's important to understand that PEO's don't hire, manage or fire your employees. But, PEO's do provide otherwise expensive human resource benefits, including regulatory compliance, recruitment, and disciplinary frameworks, as well as payroll and tax management on behalf of your company.

PEO's are regulated by each State's Department of Labor. The industry also has its own trade organization, the **National Association of Professional Organizations (NAPEO)** and supporting assurance bodies that are similar to the FDIC for banks.

A close-up, high-contrast photograph of a fingerprint on a textured, possibly metallic or plastic, surface. The fingerprint is the central focus, with its ridges and valleys clearly visible. The background is a complex, woven pattern of lines and dots, creating a sense of depth and texture. The lighting is dramatic, with strong highlights and shadows that emphasize the three-dimensional nature of the fingerprint.

WHAT ARE

THE BENEFITS

OF PEOS?

- There are many benefits to working with a PEO. Some of these will most likely be more important to you and your company than others.
- ✓ Group buying power
 - ✓ Improved HR processes, implemented and managed based on industry best practices.
 - ✓ Reduced company resources needed to manage and complete payroll
 - ✓ Reduced company resources needed to manage and compete payroll tax responsibilities
 - ✓ Comprehensive health care offerings, often with add-ons at no cost to clients
 - ✓ Increased liability shielding against HR-related issues, including discrimination, sexual harassment and more.
 - ✓ Reduced worker compensation insurance premiums
 - ✓ Ability for smaller employers to attract top talent with big company benefits



WHAT ARE THE KEY ELEMENTS OF A PEO?

There are 4 core services provided to you in a PEO/client relationship. They are payroll and payroll tax administration, health and wellness benefits, worker's compensation and risk mitigation.

The first is payroll and tax administration. is includes all payroll-related government filings (I-9, W-4, etc.), new employee starts, benefit changes, termination, COBRA and more.

The second core service is health and wellness benefits. This service is often what creates initial interest in PEO's. With their large size, PEO's are able to negotiate better rates for medical benefits on behalf of their clients.

**...PEO'S ARE ABLE TO
NEGOTIATE BETTER RATES
FOR MEDICAL BENEFITS...**

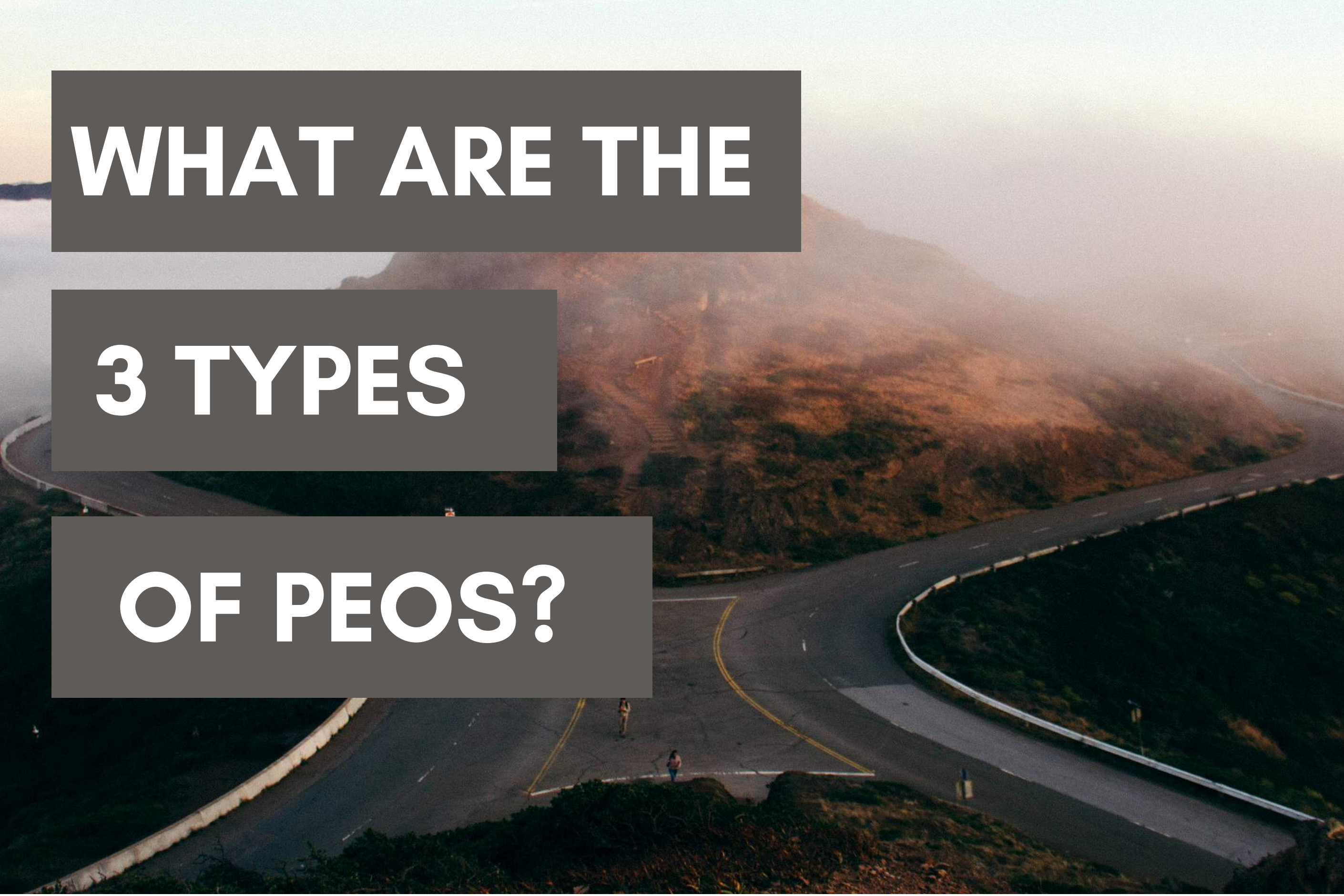
But, PEO's also able to negotiate a larger list of possible health benefit providers, because many of the largest insurance providers don't offer benefits to smaller organizations.

Workers' Compensation Insurance is the third PEO core service. As with health benefits, PEO's are able to negotiate better rates and to pass the savings on to their clients.

The last, but by no means least important PEO core service is risk mitigation. PEO's provide resources, including teams of experienced professionals, to help their clients reduce risk. Risk mitigation commonly focuses on 2 key business functions.

The first function is a focus on employee-related legal issues. These might include wrongful termination, EEOC claims and more. The PEO team works with your company to establish best practice policies and procedures to dramatically reduce these liabilities.

The second function focuses on the workplace, offering and performing workspace audits to confirm that your business is operating in the safest possible manner. Emergency Action Plans and employee safety programs are common elements of this function.



WHAT ARE THE

3 TYPES

OF PEOs?

There are 3 major types of PEO's, National, Regional, and Niche. For, our clients, we typically focus on national and regional PEO's. For a company with employees scattered across the country, a national PEO will be a natural choice, whereas a company with staff that's scattered around a particular region of the US will likely benefit from a regional PEO.

Why Would I Want a PEO For My Company? For the Companies, I Have an Equity Stake In? For the Companies, I Invest In? For the Non-Profit, I Help Manage?

PEO's make sense for most organizations, but not for all. The key reason to consider a PEO is that your company is actively looking to grow, wanting to attract and retain top talent and that you care about offering the best possible benefits to your staff.

...your company is actively looking to grow...

Companies with more than 10 employees will generally benefit from a PEO. Cost savings are an additional benefit and often an important driver in considering PEO's, but most clients are surprised at the depth and breadth of services that most PEO's can deliver at a price point that's notably lower than the client's current situation.

PEO's also establish policies for growing companies with more than 10 employees. This is particularly important for organizations that are seeking or plan to seek outside funding, because strong HR policies and procedures are an important element considered by most outside funding sources, including banks, private equity, foundation donors and more.



THE

NEXT

STEPS

Where do I go to learn more or to begin the process of evaluating PEO's for my organization?

We'll be sending you a few emails over the next few days to answer any questions you may have once you've been able to take a dive deep into the topics we've outlined here. Once you're ready to actually begin the process, we're ready to help.

You could reach out to specific PEO providers. Although this isn't necessarily a bad option, it does come with limitations. Most providers will be focused, understandably, on fitting your business into one of their product offerings. This may make sense for some companies, but are you sure that yours is one of these.

Most PEO brokers simply forward your information to hundreds of providers, burying you in phone calls and emails from PEO's who are more than likely not a good fit for your organization.

Unfortunately, many PEO brokers are nothing more than websites that forward your company information onto hundreds of PEO providers, similar to LendingTree for mortgages or SelectQuote for life insurance.

The problem with this option is that you will be called and emailed by dozens (or more) of companies, burying your voicemail and email inbox.

We look at this nightmare scenario and ask a simple question: Isn't it the broker's job to understand my company and build a very short list (less than 5) of PEO providers that are all ready for my business, but might have certain features that could be great for my business?

At Dinsmore/Steele, we do the heavy lifting that you should expect. After understanding your organization, we reach out to the PEO's that appear to make the most sense and review your situation with them. The small group of providers that are the best fit with for are then invited to provide a feature and cost proposal to you.

We then review your options, pointing out the nuances of each, but the final decision is yours. Similar to an independent insurance agent, we are paid nothing by you, the client. The PEO provider who implements your PEO solution pays us a small percentage of their revenue.

But, Dinsmore/Steele is not directly tied to any specific PEO. We are your agent, not theirs. In a nutshell, we believe that this level of service is the minimum you should expect.





COMMON

QUESTIONS

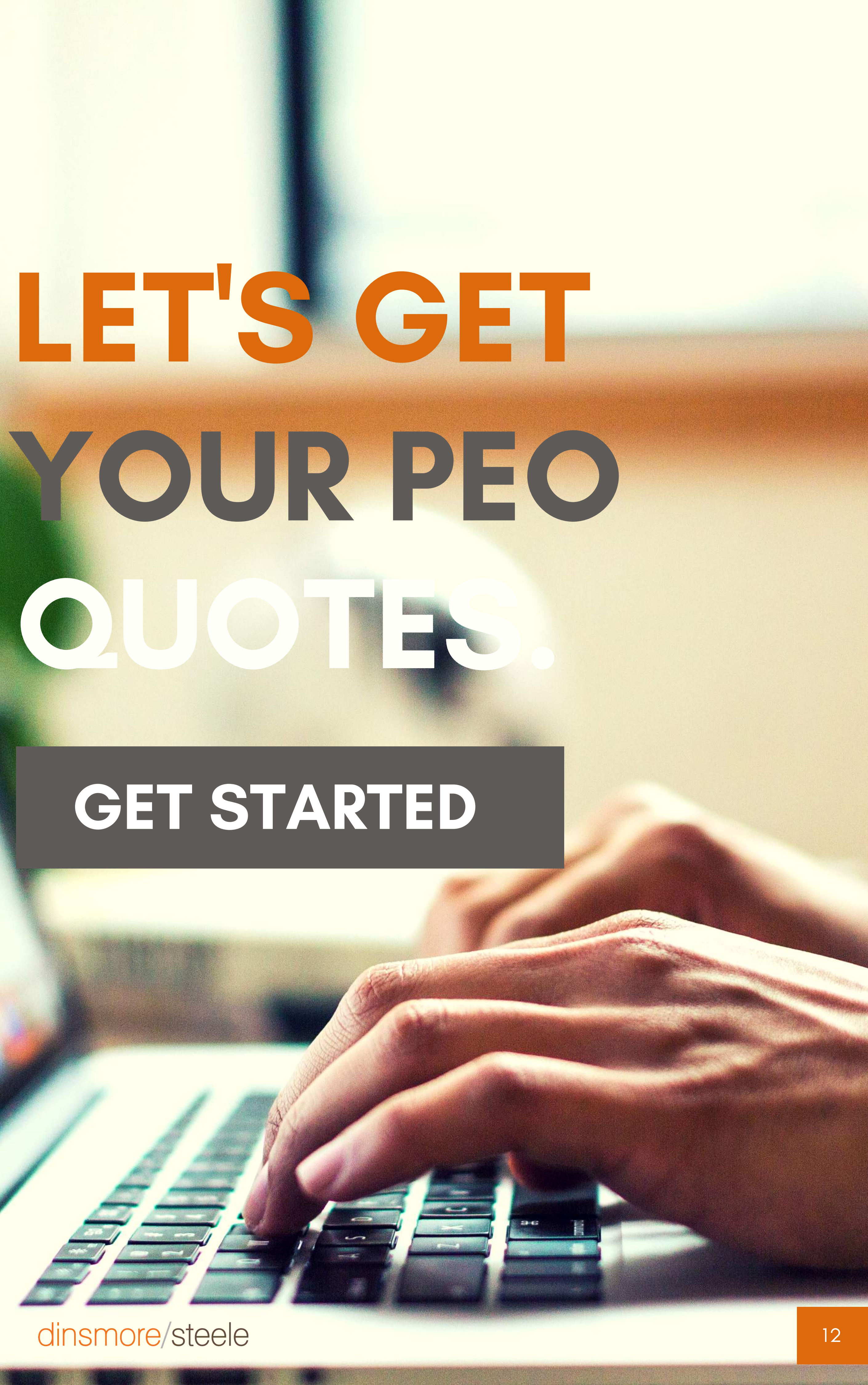
Doesn't co-employment reduce the value of my organization?

Actually, it's just the opposite. Most private equity and other funding providers expect that the companies that they invest in are either already in a PEO or will enroll in one as a condition of funding.

Additionally, although employee talent is the backbone of any company, it's not a tangible asset that can translate onto a balance sheet. Conversely, the actual cost of attracting and keeping top talent does and PEO's bring a wealth of services that attract and keep great people.

Does co-employment mean that my company stops managing our employees?

No. PEO's handle developing HR policies, delivering employee benefits and providing a liability shield to companies, but the implementation of all of these are still your responsibility. PEO's have no interest in running your business. They're focused on giving you more time and more tools to expedite your growth.



LET'S GET YOUR PEO QUOTES.

GET STARTED