



## HR for Business - ConsultStu LLC

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### *Information Paper*

Topic: Leaving a Professional Employer Organization (PEO)? Here's what to do.

Some of the most common reasons employers choose to leave a PEO are:

- Want to retain more control
- Too expensive
- Not enough perceived value
- HR technology is not used
- Employee benefit options exist in the local market

When we talk to small business owners and PEO customers, some tell us “our total PEO costs are increasing;” “our company has grown and the administrative fees are just too expensive;” and “we are paying for HR services that we are not using.” While some companies prefer the PEO, others want to know their options. If your company is looking to explore how to leave your PEO, we can help. Leaving may be the right move if your company has the ability and desire to take more responsibility for its HR administration. If so, the first step is to assemble a team of subject matter experts. Not as hard as it sounds. These pros will develop a solution to your specific needs, in the amount you need (and often at a cost savings). Instead of a one size fits all approach, you pick the products and services you need to support your business objectives. It's easier than you think. So, who are the key players you will need to find?

1. **Human Resources Administration** – Perhaps the most important step is to locate an HR resource that can help with transitioning away from the PEO. Depending on the number of employees, turnover levels and number of locations, HR administration may be more or less challenging. HR compliance is growing more complicated and your company needs to reliable and dependable resource to obtain the necessary HR knowledge. National surveys show that companies hire a full time HR person at the 75 to 100 employee level (but this varies by industry). Most companies leaving a PEO do not need a full time HR Manager, and instead retain fractional HR services that match their needs. A skilled HR expert can advise the CFO/Controller/CEO/Owner on the complex aspects of hiring/firing/discipline and HR strategy, while also serving as a mentor for your onsite company employee serving as part time HR Coordinator. By handling the basic HR functions in house, you achieve cost savings. Reach out to your HR consultant on more complicated matters and to seek counsel and advice. You have flexibility to buy as much HR assistance as needed, as opposed to inflexible administrative fees regardless of use.
2. **Payroll Provider** – There are many payroll providers in the local marketplace, and different companies focus on different types of employers. Today, payroll companies have online access, timekeeping options and other convenient functions. There are



different levels of service, and they can handle withholding, taxes and all payroll related functions. We recommend that you price three payroll options: a national brand name, an online/cloud vendor and a local payroll company to examine the different price points, service platforms and areas of expertise. Pricing may vary greatly.

3. **Workers Compensation** – You will need to find a workers' compensation policy to cover those employees that are not exempt (from coverage under state law). This should be easy to transition to a knowledgeable Property and Casualty insurance agent. If you have expensive workers comp codes, we also recommend that your agent/agency provide you with the resources and knowledge to assist with developing and implementing safety programs and risk management.

Of note: Keep in mind that while you were with the PEO, you were charged for the WC rate codes and the experience rating that was earned by the PEO (not your company specifically). Depending on your industry, and history of injuries and claims, when you receive your own experience rating, you may experience an increase or decrease in WC costs. If your company is safety conscious, with a good claim history, you may be able to negotiate lower WC costs on a new policy. By sharing your loss history with your insurance agent, he/she may be able to help anticipate future costs. In addition, if cash flow is critical, your company may be able to pay for the WC policy in a traditional way (monthly basis), or on a "pay as you go" basis.

4. **Employee Benefits** – With the assistance of a skilled benefits consultant, you can review what type of benefits you want to offer employees, at a cost you can afford. PEOs often pitch "access" to Fortune 500 benefits and lower costs by group purchasing. In the changing marketplace post ACA, small companies may be able to purchase comparable health insurance plans to a PEO. Working with a skilled benefits consultant will allow you to know your options prior to departing the PEO. Current competitive pressure ensures that local benefit consultants are often willing to offer access to additional administrative and compliance services to help small business with administrative tasks (e.g. part time enrollment help, access to online tools to manage open enrollment or help completing mandated Form 5500 reports).

For some employers, a PEO is an effective solution, worth the cost. However, many small to mid-sized employers would benefit from comparing PEO services to an open market option. We help employers assemble a team of professionals to perform needed human resources and administrative functions - achieving cost savings over a PEO and retaining more internal control. *HR for Business – Consultstu LLC* will discuss your needs, review your situation/costs and help you determine if leaving a PEO is a good fit for your company. We will do a **complementary** review of your situation when you provide us with last month's PEO invoice.

**HR for Business – Consultstu LLC** is a professional services company that helps its clients improve performance through effective, compliant HR practices. We offer affordable solutions in the areas of human resources, risk, safety and talent management. More information is located on the web at [www.consultstu.com](http://www.consultstu.com).