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Employee Benefits Specialists

Should I Consider a Professional Employer Organization (PEO)?

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Agenda

- What is a PEO
- What services do they provide
- Would it work for me
- How to choose a PEO
- Will a PEO eliminate my job



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What is a PEO?

- A PEO is a co-employer, not a staffing company
- The PEO provides certain benefits to each co-employer
- The co-employer does not lose any authority or rights of managing their employees.
 - Including but not limited to hiring / firing decisions, salaries, job responsibilities, etc.



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What services do they provide?

- Full suite of Employee Benefits
 - Health Insurance
 - Dental Insurance
 - Vision Insurance
 - Disability Insurance
 - 401k
 - Pet Insurance
 - Etc.



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What services do they provide?

- Human Resources Administration
 - Payroll
 - Employee Onboarding / Termination Procedures
 - Employee Handbooks
 - Employee portal
 - Employee Evaluation and Review procedures
 - Regulatory Compliance



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What services do they provide?

- The PEO will require the co-employer to utilize the following:
 - Payroll
 - Workers Compensation
 - State Unemployment
 - Some will allow the co-employer to continue paying their previous rate and treat this as a pass through



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Would a PEO work for me?

- 100 or fewer Eligible Employees
 - Highly desirable
 - Certain industries excluded
- 100 – 300 Eligible Employees (typically)
 - May consider alternative structure
- 300+ Eligible Employees (typically)
 - Likely too large to consider



Would a PEO work for me?

- Employer enters into a Co-Employment relationship with PEO
 - Employer retains control of employees
 - Employees are paid under the PEO's FEIN
 - Direct Deposit / Checks may be branded with the Employer's name
 - Employer may use as many or as few of the PEO's services, except:
 - Payroll, Worker's Compensation and usually State Unemployment must be held by the PEO
 - Employer may choose to adopt PEO's best practices, insurances, and procedures, or maintain their own



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Would a PEO work for me?

- If effective date is other than January 1, FICA may re-set
- Health Insurance
 - May be able to offer more robust, comprehensive plans
 - May be able to offer multiple options
 - Plans generally renew on the same date, regardless of your effective date with PEO
- Banking is similar to existing structure
 - Payroll, taxes, etc., drawn from existing account
- HR Department should be able to better focus on HR functions
 - Better compliance
 - Established on boarding / termination procedures
 - Access to legal advice



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How to choose a PEO

- Is the PEO established in my industry and area
 - Are their carrier relationships regional and / or national
 - If the same carrier as your current provider, are the networks the same
 - Salary differential between areas could significantly impact / alter workers compensation rates, unemployment insurance and disability insurance



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How to choose a PEO

- May I maintain some of my current relationships, benefits and / or procedures
 - Flexibility to choose which services / procedures you utilize
 - May my broker continue to represent the Firm on matters relating to insurance
 - Do I need to utilize electronic on-boarding
 - Employee Handbook



How to choose a PEO

- Are they a closely held private company, or part of a larger organization
 - Many PEOs are spin offs or divisions of payroll companies and / or subsidiaries of larger organizations, utilizing the PEO to offer additional services to their clients and prospects
 - Subsidiaries / spin off entities may report to a Parent company and may see downward pressure applied resulting in less flexibility and / or concessions
 - Many are closely held private companies, similar to a law firm in that regard, and put a substantial amount of time in learning about their potential co-employer



How to choose a PEO

- What are the fees and how are they calculated
 - Administrative fees are typically charged as a percentage of payroll or a flat fee per participant per month
 - Be wary of providers that do not provide a detailed fee explanation
 - Insurance premiums are calculated and paid on a monthly basis
 - Some PEOs will create rating “buckets” for their co-employers based on demographic and /or claim data (if available).



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How to choose a PEO

- Are their benefits programs at least as good, or better, than I can get on my own
 - PEOs typically contract with one or two carriers per line of coverage
 - Carriers do not usually allow PEOs to implement multiple carriers for any one line of business
 - PEOs allow the co-employer to offer multiple health insurance plans to their employees
 - More generous out of network reimbursement may be available



How to choose a PEO

- Are their benefits programs at least as good, or better, than I can get on my own
 - The typical Long Term Disability (LTD) plan is not as good as a law firm should implement
 - The Own Occupation definition of disability is often limited to two years, at which time the definition reverts to Any Occupation
 - 401k plans are usually open architecture plans providing a full suite of options
 - More established plans can often secure better plans at lower costs



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Will a PEO eliminate my job?

- **Absolutely not!**
 - HR will be able to devote more time to their core job function
 - HR will become more efficient and able to “concentrate” on managing the human capital of the Firm
 - Managers may free up enough time to learn a new skill or component of their job increasing the opportunity for advancement

Thank You



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