

GUIDE TO HR Outsourcing

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Business can be like a game of chess

Successful chess players work backward – imagining their winning scenario, then strategically deploying their pieces to achieve their goal.

Business leaders should think in much the same way.

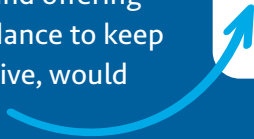


When you consider the many moving parts of running a business, this neat chess metaphor breaks it down.

- You don't have one competitor; there are many.
- It's not just about using your rook wisely; you must keep her engaged and invested in the game.
- Add in the mental and monetary toll of managing various vendors to offer benefits and keep people paid.
- All the while, you're left navigating regulatory and compliance risks.
- And outside of people-related matters, you've got a business to run.



If you could hire an outside firm to create a scalable system for keeping your queen, providing health benefits to everyone in the game and offering strategic guidance to keep you competitive, would you take it?



Let's explore why so many businesses answer yes.

Pick your player

There's nothing wrong with any of these options, as long as you're ready to take on the challenges associated with each adventure. For those who would rather grow their business (and not their headcount), a PEO may be a good choice.

1

Pick and choose multiple vendors

Consider: You may spend extra time juggling various vendor relationships and lose efficiency.

2

Build a complex, in-house HR team

Consider: This could be costly over time and require more oversight.

3

All-in-one, full-service professional employer organization

Consider: One HR solution that delivers benefits, payroll, HR compliance and technology may seem pricey. (Skip ahead to pg. 12 for pricing transparency.)



*Who do you
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handle
your HR?*



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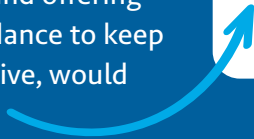


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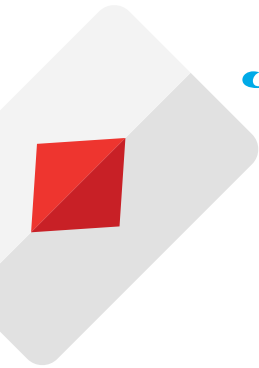
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Play to *your advantage* **WITH A PEO**



When you join forces with a PEO, you gain a powerful ally. A PEO will unleash its full suite of resources and assume responsibility for some of your most time-consuming HR tasks and assume or help you manage your employer obligations and risks. You, in turn, can focus on advancing your game forward.



Gain access to PEO-sponsored benefits

- Employees have access to comprehensive medical, dental, 401(k) benefits and more
- As the plan sponsor, the PEO handles carrier and vendor negotiations, benefits administration and legal compliance

Ward off or manage risk

- Workers' compensation insurance coverage and employment practices liability insurance (EPLI)
- Advice on best practices regarding safety hazards
- Assistance with HR-related compliance and paperwork

Level up employees

- Ongoing performance improvement support
- Online learning options, including leadership development

Play it safe

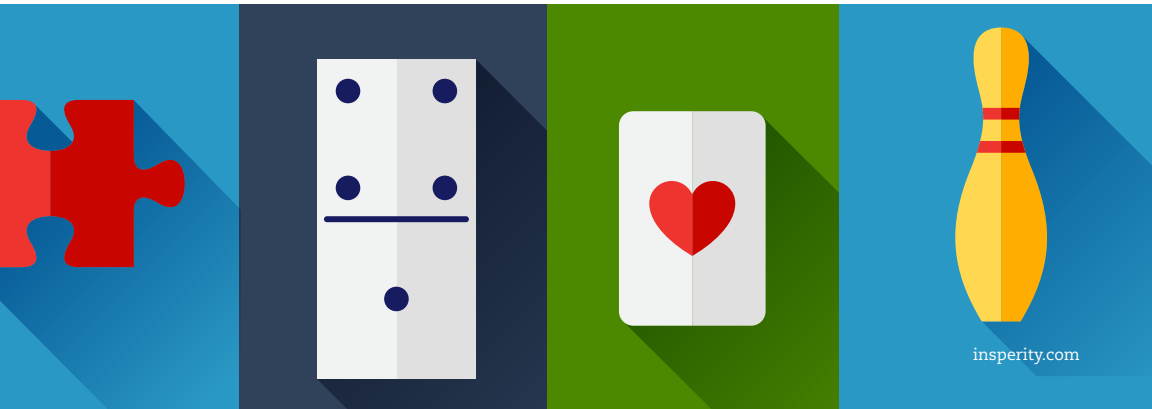
- HR best practices guidance to help you comply with HR laws, regulations, and rules, both state and national
- Handbook development, onboarding, termination assistance and more – to help reduce employer liabilities

Let the big boss skip a turn

- Relief from the tedious tasks of HR administration, payroll processing and payroll tax filings
- Free up your time to focus on strategy, employees and the bottom line

Unify your forces

- Service and technology to facilitate efficiency and compliance
- One seamless technology platform to integrate payroll and time and attendance
- Reduced manual data entry burden



Rules of the game

When you decide to work with a PEO, the business relationship called “co-employment” is created.

.....

The co-employment relationship is a contractual agreement that allocates and divides up your employer responsibilities. Under this agreement, your company’s employees are co-employed by both your company and by the PEO.



As a business owner, you're still in full control of:

- All business decisions
- Daily operations
- Employee core job functions and duties

And, just for example, as a co-employer the PEO could be responsible for:

- Providing employee benefits
- Payroll and HR administration
- HR-related government compliance assistance
- Providing HR advice

Test your knowledge!

True or false quiz

(answers at bottom of page)

1. A PEO does NOT take complete control of your business

2. A PEO will NOT replace your internal staff

3. A PEO does cause disruptions to your workplace

1. True. You maintain control of the business and all operational decisions.
2. True. PEOs align with your company's existing HR staff to provide complementary expertise.
3. False. Your employees will experience little-to-no disruption.

A winning proposition



PEOs commonly help client companies by:

► 1 Providing better benefits

With better employee benefits, you can attract and retain top talent and create a more engaged workforce.

► 3 Decreasing costs and increasing operational efficiency

Not only do PEOs help you and your company save time, but they can also help you save money through:

- Better hiring practices that reduce turnover
- Finding new ways to motivate employees
- Creating strategic plans for the future

► 2 Reducing risks

Mitigate the risks that are involved with being an employer, receiving workers' compensation insurance coverage, EPLI, payroll processing and HR administration.

A PEO provides the infrastructure and resources you need, giving you back valuable time to focus on growing your business.



Perhaps that's why, in a PEO arrangement, businesses have been shown to:



Grow 7-9% faster*

EXPERIENCE

10-14%

LOWER TURNOVER*

Be
50

%
less likely
to go out of
business*

*Source: Napeo.org; What is a PEO/
About the PEO Industry.

Take the quiz

Do I need to outsource my HR?

Quiz yourself on the different business scenarios below. Think it through and be completely honest. If you answer yes to more than five questions, you and your team may benefit from working with a reputable PEO.

1

Is your management style reactive instead of proactive?

2

Have you dealt with incomplete employee paperwork before?

3

Have employees quit to find better benefit packages with other companies?

4

Have new employees missed their benefits enrollment period?

5

Do you have underperforming employees?

6

Have you ever been fined for HR-related compliance violations?

7

Do your employees quit on short notice or do you have high turnover?

8

Have you had issues locating certain HR documents?

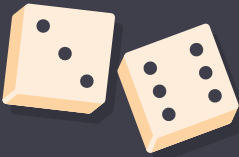
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Are you slammed with tedious tasks and can't find time to focus on the bigger picture?

10

Does payroll take up a large chunk of your time?

Where did you land? If your team could benefit from working with a PEO, it's time to understand how to choose between PEOs.



An illustration on the left side of the page shows a target with blue segments and white stars. A hand at the top left is placing an orange card with a white 'i' on it. Another hand at the bottom right is holding an orange card with a white 'a' on it. A third hand at the bottom left is holding a green card. In the bottom right corner, there is a bowl of orange soup with ice cubes and a spoon.

Teams, not pieces, win

Every PEO is unique in the way they structure, deliver and price their services. (Beware of extra fees!) To pick a PEO that's going to give you a leg up, first identify your HR challenges.

- Are you processing payroll properly?
 - Are you losing employees to competitors because they don't have access to competitive benefits?
 - Or is your workforce disengaged and performing poorly?
-

Now, identify your PEO must-have features:

- Employee benefits
- Technology options
- Assistance with HR-related government compliance
- Performance management support
- Employer liability management
- Training and development
- Payroll and employment administration
- Recruiting support
- Core and strategic HR services

No Monopoly money



Part of beating the competition is holding the most coins in the end. So, it's important to understand PEO pricing to get the most bang for your buck.

PEO cost and pricing breakdown

The PEO's fee will include the PEO's direct cost allocations, which may include:

- Wages and related payroll taxes (FICA, Social Security, Medicare, FUTA and SUI)
- Workers' compensation insurance
- Employee benefits
- Employment practices liability insurance (EPLI)

An administrative fee may include charges for:

- Payroll administration
 - Workers' compensation administration and safety
 - Benefits administration
 - HR compliance
 - HR technology
 - HR services
- 

Key differentiator: Administrative fees can be

- 1. Percentage based** – The PEO's administrative fees are calculated as a percentage of your employees' gross payroll.
- 2. Flat charge** – The PEO's administrative fees are calculated as a fixed cost per employee.



With the flat, per-head fee structure, it doesn't matter if an employee makes \$10 or \$10 million. Your PEO administrative fee stays the same.





Pro tip

It's wise to conduct a break-even analysis to understand at what point a percentage-based fee is more expensive than a flat charge.

Weigh your options before making a move

How to evaluate a PEO's financial strength and security

- Find their annual report, including audited financial statements online if they are publicly traded.
- Look for the PEO's annual financial statements that may be published on their website.
- Check for company information on an investment research website.

What's a CPEO?

A CPEO is a PEO that has been designated as a certified professional employer organization by the IRS. A CPEO has to meet certain financial requirements, resulting in an extra layer of security for your business.

- Easier to assess the financial strength and security of a CPEO
- CPEO will have submitted audited financial statements to the IRS
- Must provide evidence of positive working capital
- CPEO takes on full liability for payroll taxes
- The IRS will have conducted necessary background checks on certain persons responsible for employment tax payments

Winner takes all

Would you rather have ...

A.

A PEO with a strong local presence in your city or state?

B.

A PEO with resources nationwide?



If you've been in the game long enough, you're not just looking to skate by, you want to win big.

For a business owner, that could mean expanding your business – to another city, state or across the country.

Will a PEO that's strictly local be able to provide you with the national resources you need? **Before you answer, pause! You don't have to sacrifice one for the other.**

Why not work with a national PEO with locally based service team members? Here are some of the benefits:

- Knowledge of local regulatory compliance
- Proficiency in federal-level issues
- Convenience and accessibility
- Market-specific awareness

It's your turn!

.....

Decisions, decisions. Finding the PEO that's most suited for your company can be tricky – not all PEOs are created equal. Before you commit, ask each PEO these questions:

- How experienced are your service team members?
- How do you communicate with your clients?
- Can I meet the people who would be servicing my account?
- What is your “staff support ratio” or number of service team members compared to my employees?
- May I see your service agreement?
- Do you carry employment practices liability insurance (EPLI)?
- What coverage would my company gain by joining your PEO?
- How much should I expect my PEO service fee to increase each year?
- How are employee benefits funded?
- Are you a CPEO?



***Play your
cards right***

Be a savvy consumer. Before you sign on the dotted line, make sure you ask questions and read the fine print.



About Insperity

At Insperity, it's not just HR outsourcing, it's HR that makes a difference.® Our comprehensive, scalable HR solutions offer an optimal blend of service and technology to facilitate growth by streamlining processes related to payroll, benefits, talent management and HR compliance. We provide the tools to help you lighten your administrative load, maximize productivity and manage risks – so you can focus on growth. Because that's what it means to have a true HR partner.

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1986

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so communities prosper

We serve businesses
with employees
from 5-5,000

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LISTED
NYSE

Publicly traded on
NYSE under ticker
symbol NSP

Bonded
ESAC
Accredited

CPEO status*

*Insperity PEO Services LP has been designated a certified professional employer organization by the IRS. The IRS does not endorse any particular CPEO. For more information, go to irs.gov.

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Insperity's comprehensive HR packages adapt with your company as you adapt to new ways of doing business.

» The culture and values that guide us

Our mission and values are the foundation of a company culture that encourages a commitment to excellence and a heart for service.

» Investing in our communities

We champion both our clients and our employees who make a difference in the lives of others through volunteerism and community leadership.

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