

How PEOs Add Value for Brokers & Clients

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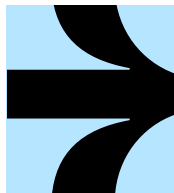
INTRODUCTION

Where a PEO Can Help


Entrepreneurs create their businesses for a number of reasons: to realize a vision, build and inspire a team, and to do something meaningful.

But running a business also means negotiating the best benefits for your clients' teams, keeping up with employment regulations, and paying employees. All those tasks are essential to success, but also difficult to navigate and time consuming. Between workers' comp, W-2s, payroll administration and related tax filings, disability insurance, PTO administration, and everything else, it can be difficult to find time to equip your clients with the tools needed to actually focus on their businesses.

That's where a PEO can help.



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What is a PEO?

PEO stands for Professional Employer Organization. PEOs help small or medium-sized businesses get access to big-company benefits at affordable rates, and support for their employment-related compliance needs. Small businesses can also streamline back office functions like payroll and HR and access those tools in one place.



The Co-Employment Model

PEOs can take on these responsibilities for your clients because of an arrangement called co-employment. The agreement between a business and a PEO distributes the employer responsibilities. Small businesses will continue to employ their employees, but a PEO will become a co-employer with your clients to help administer certain employer-related responsibilities and ease the burden of payroll, benefits, and HR administration. By sharing employer responsibilities, the PEO allows small businesses to focus more on their employees and running their business.

Because of the co-employment arrangement, PEOs are also able to offer access to the large-group insurance market for businesses with as few as two employees — businesses might otherwise need 50 or more employees to access the large-group insurance market, depending on where their businesses are located.



What are the biggest advantages of PEOs for clients and brokers?

Businesses that use a PEO get the best of both worlds: the autonomy and thrill of entrepreneurship, with the cost savings and efficiencies associated with being part of a larger enterprise. PEOs provide services to approximately 173,000 small-to mid-sized businesses nationwide, employing [four million people](#).



Save Money and Access Rich Plans Through Economies of Scale

PEOs can leverage economies of scale so your clients can gain access to high-quality benefits and wellness perks at affordable rates usually reserved for big corporations.

Free Up Time to Focus on What Matters

Running a small or mid-sized business can sometimes be a race against the clock. There's always more to do and not enough hours in the day to get it done. There's a lot that a PEO can help your clients manage when it comes to employment-related administrative work, from onboarding employees to attracting strong talent with a suite of easy-to-administer benefits and perks. This can often mean your clients getting multiple hours back every day.

Reap the Benefits of a Savvy PEO

Payroll tax filing and benefits administration are complicated. Business owners are spending [almost 5 hours](#) calculating, filing, and paying payroll taxes each pay period. That adds up to 21 days out of the year that your clients are focusing on just payroll. And they probably didn't set out to become a compliance expert — especially when the cost of getting things wrong can be pretty high.

PEOs are experts in employment-related compliance. PEOs will withhold, report, and remit your clients' payroll taxes, and file their W-2s for payments processed through the PEO.



What are the biggest advantages of PEOs for brokers?

As a broker, you can broaden your benefits portfolio with a PEO that includes access to enterprise benefits. Beyond providing access to rich benefits, you can empower your clients to seamlessly manage their payroll and feel confident in securing compliance support. Moreover, some PEOs have partnership programs for brokers where, in addition to your clients receiving PEO support, you as brokers can have direct relationships with dedicated contacts to get the support you need.

From a business standpoint, PEOs unlock a new revenue stream for brokers. You can receive monthly recurring revenue for clients you refer to PEOs for the lifetime of the account with no broker of record changes and with your PEO partner assuming client service responsibilities.



What should you look for in a PEO for your clients?

PEOs offer many similar services, but they're not all the same. Each PEO has different service providers, benefits packages, and HR tools unique to their company.

Here are a few things you'll want to look out for in a high-quality PEO that helps your clients out.



Access to High-Quality Benefits

Benefits are a huge selling point for employees — in fact, when deciding to accept a job offer, [88% of employees](#) said the quality and options of health benefits were important. Offering access to health insurance helps your clients [attract and retain the best talent](#) out there. In short, it's essential for being a competitive employer.

By working with a high-quality PEO, you can provide your team with access to all kinds of perks and benefits, such as:

Health Benefits

- Medical
- Dental
- Vision
- HSAs/FSAs

Ancillary Benefits

- Commuter benefits
- Short-term disability
- Long-term disability
- Life insurance
- Accidental death & dismemberment insurance
- On-demand primary care services

Perks

- Gym memberships
- Bike shares



Automated Payroll Administration

Payroll administration can get complicated, especially once payroll taxes fall into the mix. Here are some ways a PEO can help:

Payroll Processing

- **Simplify the payroll process** – A PEO can help your clients automate payments for salaried exempt and non-exempt employees, so they don't have to worry about manually paying their employees each pay period. Your clients can also make one-off payments to one person or whole departments — like expense reimbursements, bonuses, and commissions.
- **Pay vendors and contractors** – Many companies work with and need to pay outside collaborators as well. A high-quality PEO should make it easy for your clients to pay vendors and contractors.
- **Integrate with existing software** – If your clients are already using software to help crunch the numbers such as Xero, QuickBooks, and QBO, a high-quality PEO should offer integrations to smooth out the process.

Filing Payroll-Related Taxes

Payroll also comes with documents and filings, like W-2s, 940s, 941s, and in some cases, 1099s. A PEO files those tax documents for your clients.

Compliance Support

A PEO will support your clients' employment-related compliance needs. Think of it as a shield against government complexity for employers.

PEOs help your clients stay in compliance with federal, state, and local employment requirements.



Compliance support that PEOs offer include:

- New hire reporting
- Workers' compensation
- W-2 and 1099 filings
- Employment Practices Liability Insurance (EPLI)
- Unemployment Insurance filings
- ACA filings (1094-C and 1095-C)
- Employer payroll tax filings (940 and 941)
- Statutory disability insurance
- Sexual Harassment Prevention Training Requirements

HR Support

PEOs offer a wide variety of HR support, depending on the vendors they work with and what services they perform in-house. Here are a few services a high-quality PEO may offer as HR support:

- **Customer service** – A high-quality PEO should allow your clients to access customer support through a variety of means, whether that's the phone, Slack, chat, or email. Most PEOs have office hours, though some may offer 24-hour support.
- **HR consulting** – Check if the PEO you're interested in has an in-house consultant who can help your clients address complex HR questions. Some PEOs also offer outsourced resources.



- **Resources center** – Maybe your clients are wondering if they're up-to-date on the scores of labor and employment laws. Or maybe they'd like to know the best way to approach sensitive topics with employees. See if the PEO you're interested in offers a resource center or content library that can also help answer your client's questions.

HRIS Tools

A PEO can make handling paper a thing of the past (or at least, a much smaller part of your client's day). Look for a PEO that also offers Human Resources Information Services (HRIS) tools so your clients don't have to shuffle paper around when someone requests time off.

Here are some tasks your clients should be able to perform in an HRIS with a PEO:

- Manage paid time off
- Onboard new employees
- Store important documents
- Access HR templates
- Divide and conquer with permissions



What should brokers look for in a PEO partner?

Some PEOs offer programs and features specific to the broker community. In addition to evaluating a PEO's value proposition for your clients, factors to consider regarding broker programs include:

- Receiving dedicated sales direction and support
- Accessing your clients' insurance and renewals information with client permissions
- Tools to easily submit and track referrals
- Tools to easily receive and track payments
- Receiving compensation for referring clients to a PEO
- Receiving residual compensation for the life of the client (no "sunset" clause)
- Incurring no broker of record (BOR) change when referring clients to Justworks



What about certified PEOs?

In 2017, the IRS approved the first certified PEOs (CPEOs). CPEOs are subject to ongoing bonding, audits, and IRS reporting, so your clients can be confident that the CPEO they select is being held to the highest operational standards.

Certified PEO



Sole Liability for Federal Payroll Taxes

In most cases, CPEOs can take on the sole liability for federal payroll taxes on wages that are processed by the CPEO, which means if there is a failure to pay federal payroll taxes, a CPEO takes responsibility rather than your client, the employer.

R&D Payroll Tax Credit

CPEOs can help customers apply for the research and development (R&D) payroll tax credit. The payroll tax credit allows companies to offset expenditures related to R&D of new products and processes.

You can check with your tax professional for whether your company is entitled to the R&D payroll tax credit.

Limiting Double Taxation

CPEO customers are not required to restart federal payroll tax wage bases when joining or leaving a CPEO in the middle of a calendar tax year. CPEOs are also entitled to FUTA tax reductions for customer SUTA contributions.

Justworks is an ESAC Accredited PEO

The Employer Services Assurance Corporation (ESAC) accreditation is the gold standard for PEO best practices and financial reliability.

What is ESAC?

ESAC's services and assurances are similar to those of the FDIC for the banking industry. Only a small percentage of PEOs earn the accreditation, and Justworks is in that elite group.



As a Justworks customer, your clients can feel confident that we're meeting the same financial, ethical, and operational standards as the largest and most established PEOs in our industry.

ESAC accreditation provides tangible assurance of the payment of specific employer responsibilities. These responsibilities include the payment of wages, payroll taxes, employee benefits contributions, and insurance premiums—all covered by over \$15 million of surety bonds for Justworks' customers.

ESAC Accreditation Demonstrates:

Financial Stability

- Annual audited and quarterly internal financial statements
- Quarterly independent verification of payment of taxes, benefit contributions, and insurance premiums
- Independent verification of adequate financial reserves for any loss-sensitive insurance plans

Compliant Operations

- Employee benefit and insurance coverage documentation
- Contract, sales and service materials
- Demonstration of compliance with state and federal laws

Ethical Conduct

- Continuous monitoring of critical elements of business conduct
- Background investigations of owners and key managers



Justworks Can Help

We built Justworks as a PEO because we believe the PEO relationship may be better for entrepreneurs who are serious about taking care of their teams — and brokers who are serious about servicing their clients. To serve you best, we've built simple, fast, and automated software that you and your team can access online from any device.

It's all part of our mission to give you and your clients the support and peace of mind to work fearlessly. Let Justworks handle the nitty gritty, so your clients can focus on what matters: building their business and creating a great place to work.

To get in touch with a member of our broker team, please visit <https://justworks.com/partners#partner-form>.