



HOW TO TALK TO YOUR PEO.

dinsmore/steele

WELCOME

Hope you like the title, it's meant to make you smile. But all joking aside talking to your PEO is not an easy task, especially when you are asking to pay less, so we made a short read on how to do exactly that.

Use it as you see fit, and if you find you'd rather have someone else have that conversation, we'll do it for you.



ADMINISTRATION FEES

There are two ways that a **Professional Employer Organization** charges for their services.

The first way is known as **Per Employee Per Month (PEPM)** it's a flat, transparent monthly fee, that is charged per employee per month.

The second way is called **Percentage of Payroll (POP)** it's not transparent and is based on your payroll, and bundled together with your State and Federal taxes, as well as your Workers' Compensation cost.

Unless your employee's wages are low and your staff is seasonal, it's almost never advantageous to you to be in a Percentage of Payroll (POP) pricing model.

SUTA RATE(S)

You may have never seen this written out, but it's vitally important. When you join a PEO in most states you take their SUTA rate in that respective state.

There are some states that are known as Client Reporting States, in which you keep your SUTA rate. Assuming that you are not in a Client Reporting State, then you are under your PEO's SUTA rate for each state you have employees in.

You should ask your PEO what your SUTA rate(s) are in the states you operate in, and then compare them to your Direct SUTA rates. If yours in the PEO are higher, then you should negotiate with them.

We have found many times that companies have actually had lower Direct SUTA rates and we were able to get their SUTA rates reduced.

HEALTH INSURANCE



Health Insurance is a huge topic for everyone, employers, employees, and everyone in between. Being in a PEO ensures that you have access to National Carriers with National Plans at affordable premiums. If you are in a PEO and you are not using their health insurance, that could be a mistake, because unless you are a large employer you likely won't beat what your PEO offers.

Assuming you are, here are some things to consider, how have your annual renewals been, do your employees like the carrier, and lastly is the plan selection affordable? If you are experiencing significantly high renewals then you should look at other PEOs. The same goes for not liking the carrier or not having enough plans available at affordable premiums.

Different PEOs offer different health insurance providers. Moving from one PEO can give you a different carrier and organized as possible.

WORKERS' COMPENSATION



Workers' Compensation insurance isn't typically a hot topic if you are a white-collar business, but it should be. Reviewing what you are paying for workers' compensation in a PEO whether your business is white-collar or blue-collar just makes sense. Here's why.

Sometimes the PEOs markup their coverage costs and pass that on to you. If you are a blue-collar company this could be especially true, and you could have composite rates, which combine all of your rates into one general rate.

Not sure what to compare your workers' compensation rates to request a quote from a broker, the State Insurance Fund in your state or compare your costs per class code before the PEO.

If you find that you are paying more than you should be, then you should negotiate with your PEO or perhaps find a new one. We find that it's a good idea to compare your PEO yearly to ensure you are paying a fair amount.

FEE SCHEDULE

The PEO offers basic services which they outline that is included in their Administration Fees, however, the PEOs offer additional services and have additional fees. You should have a detailed list of your PEO's fees and services.

Likely you pay a fee for every new employee you hire, if you are hiring a lot of employees and this fee is significant, you should negotiate it down. In many cases, your PEO offers things that are significantly less expensive than going out to do them on your own or the cost associated with hiring someone or adding another vendor to the mix.

Many of our PEO partners offer a myriad of services including Recruiting and many more. If your PEO isn't clear with their fees or don't offer services that you need, you should look at other providers.



A photograph of an older man and woman sitting together, smiling and looking at a large blue folder held by the woman. The man is wearing a light blue striped shirt, and the woman is wearing a light blue button-down shirt. They appear to be in a bright, indoor setting, possibly a home or office.

RETIREMENT

Nearly every Professional Employer Organization offers 401-K and 403-B plans. If yours doesn't, it's time to look at another PEO. Assuming yours does, then you should take advantage of it and offer it as a benefit to working for you.

The PEO offloads your testing and administration. Most PEOs either don't charge for this or it's a minimal amount of money. We have seen some PEOs that have actually charged quite a bit to set up 401-k for their client.

This is just a direct result of not knowing what you don't know. If you are unsure of what you are paying for 401-k or 403-B then you should ask.

Administration Fees

- Has your Staff Headcount Increased?
- Are you being billed a Percentage of Payroll or Per Employee Per Month?
- Have you had Increases In your Administration Fees?
- How long have you been a client of your PEO?

You should know what your Administration Fees are and they should be transparent.



Comparing your PEO to other PEOs is common sense for your business.



State Unemployment Tax Assessment (SUTA)

You should ask what your SUTA rate is and compare it to your rate prior to joining the PEO.

Ask what yours is with the PEO and if you think it is too high, ask for a reduction.





Health Insurance

Are you and your employees happy with your Health Insurance? Have you been getting large renewals? Do you like the carrier?

You could explore other PEOs that have different carriers. If your renewals are higher than 10% annually, you should ask for a reduction or rate lock.



PEOs all have different carriers for their Health and Workers' Comp insurances.



Workers' Compensation

Have you had a lot of claims? Are you on a composite rate? Are your rates going up considerably? Is your Workers' Comp costs bundled and not clear?

Ask to see what your rates are, and compare them to your previous cost. Look at other PEOs. Your Workers' Compensation cost should be clear.

Fee Schedule

Your PEO offers additional services and In the Client Service Agreement, should have provided what those services and cost are.

Request a list from your PEO of the services you are using and negotiate with your PEO on their charges for these services.



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Retirement

Nearly every Professional Employer Organization offers 401-K and 403-B plans. If yours doesn't, it's time to look at another PEO. The PEO offloads your testing and administration.

You should ask your PEO what you are paying for your Retirement Plan with them, and It should be next to nothing.



WHAT NEXT

The best way to know if you are getting a great deal is to know what's out there.

Over the last nine years hundreds of companies have trusted us to help them get the right price on the right PEO. We make it simple - and handle all of the heavy lifting. So when you are ready, let's chat.