

# PEO INSIDER®

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THIS MONTH'S FOCUS

## LEADERSHIP

LEADERSHIP  
STRATEGIES

VALUES AND  
CULTURE

MENTORING  
FUTURE LEADERS



COVER STORY

# NAPEO'S INDUSTRY CHAMPIONS

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# Maximize SECURE 2.0 Growth Opportunities





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Meet Our Industry Champion  
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# Conte

## THIS MONTH'S FOCUS: LEADERSHIP

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### **LEADERSHIP STRATEGIES**

Developing Your Full Potential:  
The Importance Of Self-Leadership  
*Lee Pemberton IV*

How do you achieve your potential through mastering self-leadership? Self-leadership refers to the process of influencing oneself to establish the self-direction and self-motivation needed for peak performance.

Leadership Simplified  
*Joe Beers*

Reviewing many books on leadership you'll find numerous traits, habits, and practices that make good leaders. Here are four core leadership principles to live by.

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### **VALUES & CULTURE**

Strategic Leadership Planning With PEOs  
To Accommodate a Diversified World  
*David Pearson*

By looking at it through the lens of HR, a PEO helps businesses fill in their recruiting and retention gaps by providing them with ways to develop leaders within.

Leadership From The Cultural Powerhouse  
Taylor Swift: What Can PEO Leaders Learn?  
*Leah Cowperthwaite*

Luckily, we as PEO professionals don't have to be certified 'Swifties' or even fans to absorb leadership traits that will increase engagement with our clients and colleagues and drive strategic value within our own organizations.

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### **MENTORING FUTURE LEADERS**

Navigating The Shifting Sands: The  
Imperative For Mentoring Programs  
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The need for effective mentoring programs for employees has become increasingly critical. This article delves into the multifaceted purpose of the "Heavenly Seven" integrating mentoring initiatives.

Planning For Long-Term Success: Strategic  
Thinking For PEO Leaders  
*Heather Keefer Saulsbury*

Clients and human resources complexities may always be evolving, but one thing is certain: PEO leaders must be prepared for continuous change.



# ments

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### STAFF

#### PUBLISHER

NAPEO

#### CEO/PRESIDENT

Casey M. Clark

#### EDITOR

Chris Chaney

#### NICOLE SAHIN COVER

#### PHOTO CREDIT:

Mark Leibowitz (Laird & Good)

#### VICE PRESIDENT OF

#### MEMBERSHIP

#### DEVELOPMENT

Nancy Benoudiz

703/739-8169

[nbenoudiz@napeo.org](mailto:nbenoudiz@napeo.org)

#### DESIGN

Yes&

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# THE BIG ONE: NAPEO'S ANNUAL CONFERENCE & MARKETPLACE

BY STEVE POLITIS, ESQ.

**A**s Chair of NAPEO's board of directors, I am thrilled to share the excitement around our upcoming Annual Conference & Marketplace, which is the pinnacle event of the year for the entire industry. With over one thousand attendees set to converge on Orlando, the gathering promises to be a dynamic showcase of networking, innovation, collaboration, growth and opportunities.

One of the many hallmarks of our Annual Conference & Marketplace is the invaluable networking opportunities it offers. In an industry where relationships matter, the event provides the ultimate platform for PEO operator and vendor professionals to connect, share insights and forge new relationships. Beyond networking, the Marketplace serves as a hub for discovering the latest products and services that will continue to propel

our industry to new heights. As PEOs, staying competitive means offering cutting-edge solutions to our clients, and this event is where we witness the unveiling of many of these solutions.

Orlando, with its vibrant atmosphere and world-class amenities, sets the stage for an unforgettable experience. This marks the second year in a row we have chosen this city for our conference, and with good reason. The JW Marriott, fresh from multimillion-dollar renovations, offers a luxurious backdrop for our event. From its spa and lazy river to its proximity to attractions like SeaWorld, Disney and Universal, it's an ideal destination for both business and leisure.

As we look ahead to the fall season, the conference marks a pivotal moment. It's a time when we focus on attracting new clients while also assessing our retention strategies. Sending employees

to the conference not only immerses them in the industry but also equips them with the knowledge and connections they need to drive success back at the office.

This year's agenda is packed with events designed to educate, inspire and connect. Let's not forget about other events, from the Women in NAPEO (WIN) Reception to the NextGen Mixer and CEO Forum Dinner to just name a few, there is something for everyone. The NAPEO Board of Directors meeting offers members a chance to glimpse into our governance process, while highlighting the commitment to transparency and inclusivity.

This year's conference is particularly special as it marks Casey Clark's inaugural event as President and CEO of NAPEO. Under Casey's leadership, we are poised to usher in a new era of growth and innovation for the industry. I would highly recommend everyone attend the annual member meeting where members get to hear what has, is and will be going on at NAPEO. This meeting will show that your dues are being put to great use for you and the industry as a whole.

And let's not forget the weather—while Florida in September can be hot, we are hopeful for clear skies and no hurricanes. It's the perfect time to mix business with pleasure and enjoy all that Orlando has to offer.

In closing, I encourage all members to take full advantage of the opportunity to attend the Big One. You can register at [napeo.org/acm](https://napeo.org/acm). Whether you're a seasoned veteran or a newcomer to the industry, the Annual Conference & Marketplace promises to be a transformative experience. I look forward to seeing you all there as we come together to shape the future of our great industry. ■



**STEVE POLITIS, ESQ.**

2023-2024 NAPEO Chair  
CEO  
Alcott HR

## QUICK HITS

HR

### SURVEY SHOWS HR DEPARTMENTS HAVE A REPUTATION PROBLEM

MyPerfectResume recently unveiled the results of the company's HR Perception Report ([www.myperfectresume.com/hr-perceptions-report](http://www.myperfectresume.com/hr-perceptions-report)). The findings show a concerning lack of trust and faith in HR departments among employees. The report found that 86% of respondents fear their HR department and 85% hesitate to approach HR about workplace issues. Some related reasons include:

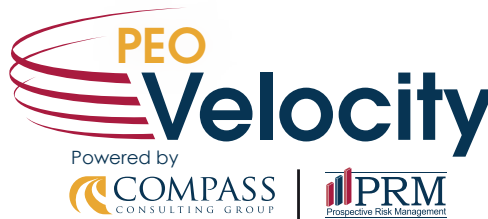
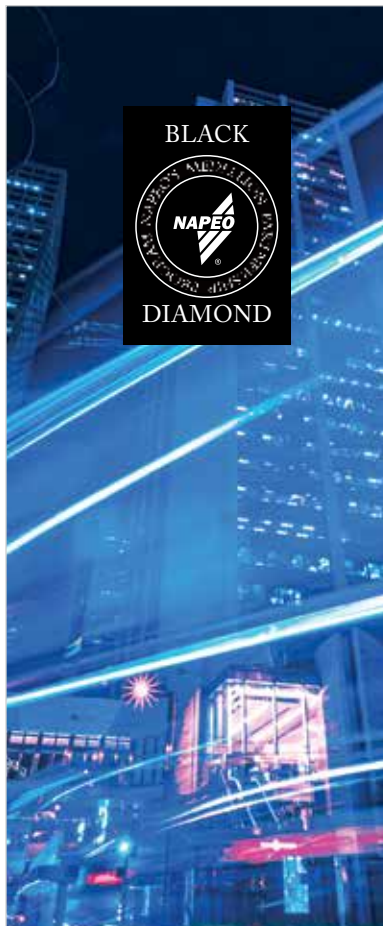
- Lack of confidentiality, 37%
- Perceived ineffectiveness of HR, 37%
- Lack of approachability of HR workers, 37%
- Fear of repercussion, 31%
- Preference to solve the issue on their own or with a manager's help, 31%
- Uncertainty about HR's response, 20%

KUDOS

# STRATUS HR EARNS 90 ON CLIENT NPS SURVEY

NAPEO member Stratus HR recently announced the PEO earned a Net Promoter Score (NPS) of 90 from its 2024 client survey. The Net Promoter Score is a widely recognized metric that gauges customer satisfaction and loyalty. Clients rate their likelihood to recommend a company's products or services to others on a scale of 0-10.

"We are thrilled to receive such a high score on the NPS," said John Farnsworth, CEO of Stratus HR. "Our team has worked hard to develop solid relationships with our clients and to exceed their expectations at every touchpoint. I am flattered and grateful to feel like our efforts are resonating with them."



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WORKFORCE

# SURVEY REVEALS WORKFORCE EXPECTATIONS OF GEN Z STUDENTS

Gen Z (born after 1997) is the future of the workforce, with the oldest members already joining the office ranks. A survey conducted by the National Society of High School Scholars polled more than 10,000 Gen Z members to discern their expectations for the workforce. Here are some highlights:

- More youth (59%) believe that AI will have a more negative than positive effect on society in the next ten years.
- Nearly half (48%) of next-generation workers say the most important quality in an employer is clear communications skills.
- More than 90% expect to participate in an internship and almost three quarters (70%) were interested in certification courses to prepare for what lies ahead.
- Health benefits trump time-off and flexible work schedule as their most valued compensation benefits, with 72% saying health benefits, 25% work-life balance, and 61% saying flexible work schedule.
- Fair treatment of all employees continues to rank #1 of all workplace preferences (28% rank it first), followed by work life balance (25%), and corporate social responsibility (14%).

M&A

# VENSURE EMPLOYER SERVICES ACQUIRES EMPICITY

NAPEO member Vensure Employer Solutions recently announced the acquisition of Irvine, California-based Emplicity, the company's 74th acquisition in six years. Emplicity's breadth of services support a wide array of industries including nonprofits as well as finance, insurance, wholesale and manufacturing, restaurants and hospitality, science and technology and architecture firms. "Emplicity's holistic, customer-focused approach to employer services matches the ethos and purpose of Vensure Employer Solutions," stated Alex Campos, CEO of Vensure Employer Solutions. "This acquisition strengthens our core PEO offerings and expands our capacity to serve more small and mid-size businesses, especially in California."



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KEYNOTE SPEAKER

## DAYMOND JOHN TO KEYNOTE #NAPEO24

Daymond John, Shark Tank investor, entrepreneur and CEO of FUBU, will be the keynote speaker at #NAPEO24. He will share his inspirational journey and invaluable insights on overcoming obstacles to achieve success in business.

Daymond John's entrepreneurial story is nothing short of extraordinary. From taking out a \$100,000 mortgage on his mother's house to fund his business to becoming the visionary force behind FUBU, a globally celebrated lifestyle brand with over \$6 billion in sales, Daymond embodies the spirit of resilience and innovation.

Recognized by former President Barack Obama as a Presidential Ambassador for Global Entrepreneurship, Daymond has not only transformed the fashion industry but also received numerous accolades including the Brand Week Marketer of the Year and Ernst & Young's Entrepreneur of the Year Award. His influence extends beyond business, as demonstrated by his bestselling books such as "The Power of Broke" and "Powershift" and his latest endeavor, "Little Daymond Learns to Earn," aimed at empowering the next generation.

As a seasoned motivational speaker and consultant, Daymond's insights into marketing strategies and brand building have reshaped industries worldwide. His role on ABC's Shark Tank, where he has spent 14 seasons guiding entrepreneurs to success, highlights his profound impact on global entrepreneurship.



ACM

## THE SUNSHINE STATE AWAITS FOR #NAPEO24, SEPTEMBER 16-18



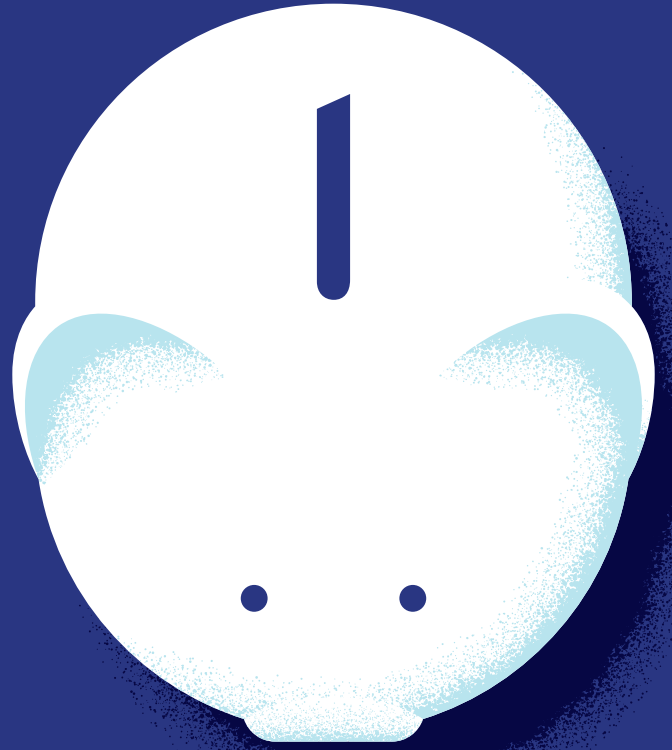
The PEO industry's annual flagship event is heading back to Orlando in 2024! Register today at [www.napeo.org/acm](http://www.napeo.org/acm).

#NAPEO24 will be the industry hub this fall, THE place to be! You won't want to miss the classroom learning by PEO content area complemented by interactive discussion forums, a comprehensive trade show, and valuable networking events. It's a must-attend event for all PEO professionals and industry vendors.

Here's what you can expect:

- **Industry Insights:** Gain strategic insights from keynote speakers and thought leaders on the latest trends and innovations shaping the PEO landscape.
- **Networking Opportunities:** Connect with industry peers and top-tier service providers during networking breaks, receptions and in the Marketplace.
- **Educational Sessions:** Find your track! Choose from a diverse range of sessions covering marketing/sales, accounting/finance, HR/legal/compliance, operations/technology and more.
- **Marketplace:** Explore the bustling Marketplace and see what our 100+ exhibitors have to say! Learn about cutting-edge products and services tailored to enhance your business operations.
- **Inspiration:** Leave inspired and equipped with actionable strategies to drive growth and navigate challenges in this growing and dynamic industry.

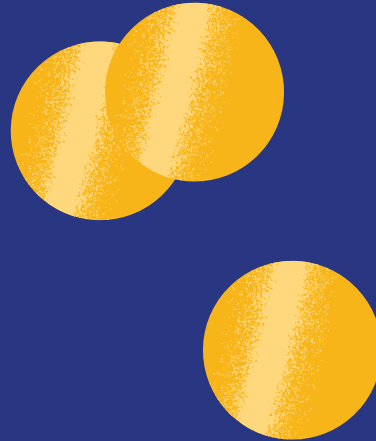
If that's not enough, the conference hotel is a stunning oasis located on a lush, 500-acre property. The JW Marriott Orlando Grande Lakes provides an exceptional experience that you will never forget. Experience the new Grande Lakes Water Park featuring a lazy river, Headwaters Slide Tower with three waterslides, restful lagoons, and luxury cabanas, or try our challenging 18-hole golf course, designed by PGA legend Greg Norman. Stretch out in modern rooms offering luxury bedding, marble bathrooms, 65-inch HDTVs, and sweeping views of the resort. Select from several enticing in-house dining options, from Italian fare at Primo to a farm-to-table menu and craft beer at Whisper Creek Farm. ■



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# LEADERSHIP STRATEGIES



# DEVELOPING YOUR FULL POTENTIAL: THE IMPORTANCE OF SELF-LEADERSHIP

BY LEE PEMBERTON IV

**A**s a long-time business coach, I have witnessed many success stories. They all revolve around the power of developing self-leadership skills. One story which really stands out involves a field service technician who has transformed himself through self-leadership. When he embarked upon his journey, he found leading others required he first learn to lead himself.

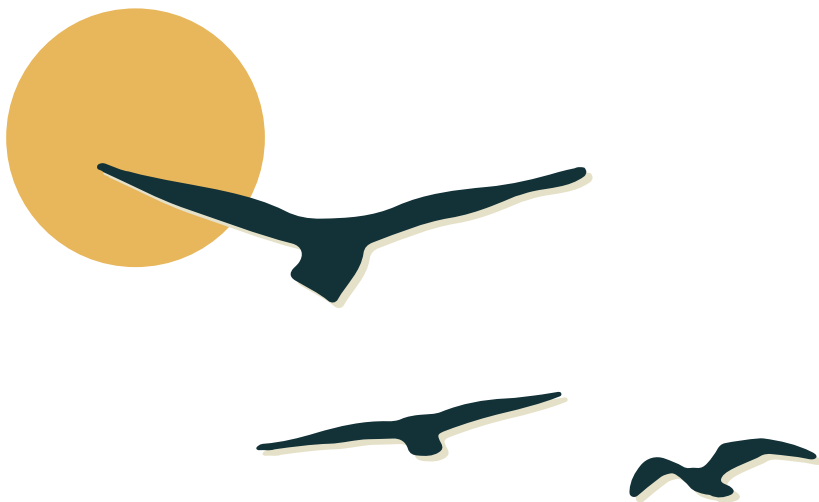
The technician Sam is now a service manager. He shared that, “Self-Leadership has been a catalyst for my professional development, empowering me to overcome obstacles and achieve success in my role. I am deeply grateful for the opportunity to engage in this transformative process and look forward to continuing this journey of growth and learning.”

As Sam took charge of his own personal and

professional growth, he transformed himself by setting and achieving specific behavior goals. He also studied the habits of successful leaders and worked hard to develop those habits. When Sam achieved his initial goals, he became more aware of his capabilities, setting and achieving higher goals than he initially thought possible. Throughout this process, Sam realized the pursuit of excellence begins with self-leadership.

How do you achieve your potential through mastering self-leadership?

Self-leadership refers to the process of influencing oneself to establish the self-direction and self-motivation needed for peak performance. Rooted in self-awareness and self-regulation, self-leadership encompasses several key areas: self-reflection, emotional intelligence, positive intelligence, adaptability, and accountability.



## SELF-REFLECTION: THE FOUNDATION OF SELF-LEADERSHIP

Self-reflection is the cornerstone of self-leadership. It involves taking time to consider one's thoughts, beliefs, emotions, and behaviors. This introspective practice helps individuals understand their core values, strengths, and areas for improvement. Self-reflection fosters a deeper sense of self-awareness, enabling one to make informed decisions aligned with personal and professional goals. By regularly engaging in self-reflection, individuals can identify what truly motivates them, which is crucial for setting meaningful objectives and prioritizing actions.

## EMOTIONAL INTELLIGENCE: UNDERSTANDING AND MANAGING EMOTIONS

Emotional intelligence (EI) is the ability to recognize, understand, and manage one's own emotions and the emotions of others. In the realm of self-leadership, EI is essential for managing stress, making empathetic decisions, and maintaining productive interpersonal relationships. High emotional intelligence helps leaders navigate the complexities of workplace dynamics and personal interactions with grace and effectiveness. By developing a keen emotional awareness, individuals can respond to situations rather than react impulsively, enhancing their leadership


presence and influence. Do not let emotions manage you, instead you manage your response to the emotions you feel.

## POSITIVE INTELLIGENCE: CULTIVATING MENTAL FITNESS

Positive intelligence (PI) refers to the ability to turn challenges into opportunities and maintain a positive mental outlook despite setbacks. This aspect of self-leadership is about strengthening the mental muscles needed to sustain peak performance and thrive under pressure. PI involves focusing on solutions rather than problems and viewing failures as steppingstones to success. Cultivating positive intelligence enables individuals to maintain motivation and perseverance, crucial traits for achieving long-term goals. Mental fitness, like physical fitness, must be practiced on a regular basis. We live in a reactionary world, this causes us to often react in survival mode, practicing mental fitness allows you to get into thrive mode. We are all meant to thrive, it starts with positive thinking.

## ADAPTABILITY: NAVIGATING CHANGE WITH AGILITY

In today's ever-changing environment, adaptability is a critical component of self-leadership. It involves the ability to adjust one's approach to tasks and



challenges as circumstances evolve. Adaptive leaders are flexible in their thinking and open to new ideas, which allows them to embrace change and innovation. This helps in overcoming obstacles and capitalizing on new opportunities. By fostering adaptability, individuals remain relevant and competitive in their careers, continually adjusting their strategies to meet the shifting demands of their roles.

#### **ACCOUNTABILITY: OWNING ACTIONS AND OUTCOMES**

Accountability in self-leadership means taking responsibility for one's actions. It involves setting clear goals, monitoring progress, and honestly assessing our successes and failures. Accountability ensures that individuals stay committed to their objectives and do not shy away from the responsibility of meeting them. This discipline helps in building trust with oneself and others, proving one's reliability and commitment to results. Moreover, a strong sense of accountability empowers individuals to take initiative and act decisively, critical qualities for any leader.

Self-leadership is an empowering paradigm that encourages individuals to



**WE LIVE IN A REACTIONARY WORLD, THIS CAUSES US TO OFTEN REACT IN SURVIVAL MODE, PRACTICING MENTAL FITNESS ALLOWS YOU TO GET INTO THRIVE MODE. WE ARE ALL MEANT TO THRIVE, IT STARTS WITH POSITIVE THINKING.**

take charge of their development and steer their path to success. By cultivating skills in self-reflection, emotional intelligence, positive intelligence, adaptability, and accountability, individuals can enhance their ability to lead themselves effectively. These skills improve personal efficacy and lead to fulfilling your potential.

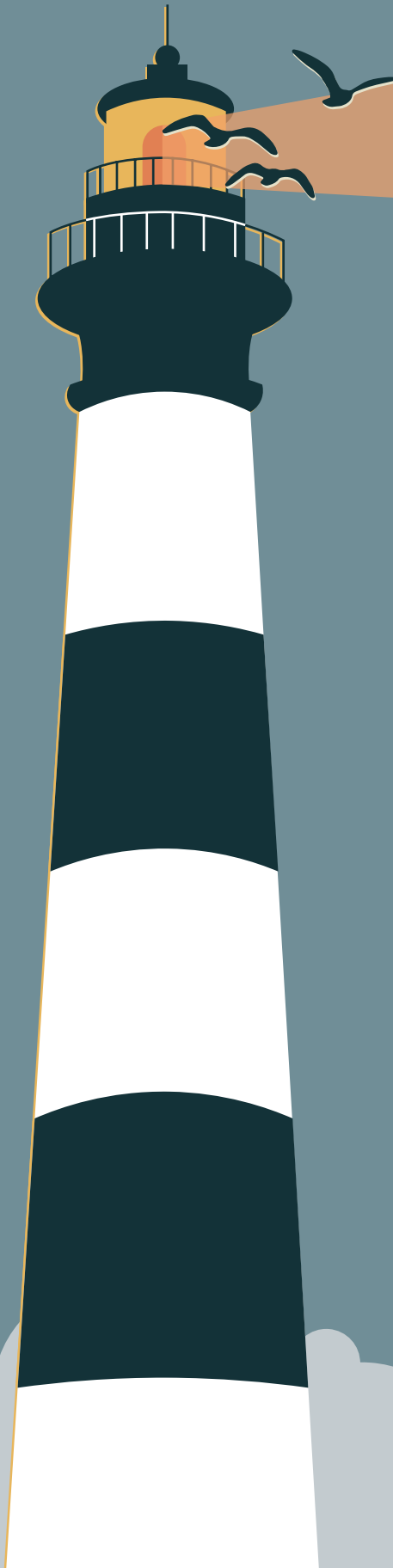
In essence, the journey of developing your potential begins with self-leadership. Mastering ourselves to better serve others is a timeless principle at the heart of all great leadership.

Through continual practice and commitment to these five areas, anyone can become a more self-aware, resilient, and influential leader, ready to face the challenges of today's dynamic world. Decide today that you are going to develop your self-leadership skills. ■



**LEE PEMBERTON IV**

*Co-Founder  
Conatus3 LLC  
Papillion, NE*







# LEADERSHIP SIMPLIFIED

BY JOE BEERS

**A** great passion I share with many colleagues in the PEO industry is the topic of leadership. I have been blessed to lead groups in many different aspects of life both personal and professional. The past four decades have been dedicated to mentoring undergraduate college men in values-based leadership. The rewards are immeasurable.

Over the course of a career, it is common to read scores of books on leadership. I have, and I suspect many of you have as well. We all have our favorites. If one thinks about it, couldn't virtually any book on leadership be condensed to about 10 pages? There are generally five, seven, ten, or twelve fundamental suggestions in each book. Those numbers have proven over time to work. Too few and the book may be too small to market, too many and the message gets diluted. Why not just put those in bullet points with a sentence or short paragraph explaining each? Instead, we get several hundred pages of explanatory narrative which is sometimes compelling, often not. It doesn't need to be that complicated.

A review of the leadership books on my shelf revealed over four dozen key attributes that have been showcased for effective leadership. Four dozen. That is a lot. Some common key components rise to the top. Teddy Roosevelt had a favorite

quote that he adopted in college and based his life of service on. It summarizes well the attributes of an effective leader.

"Look up and not down; look out and not in; look forward and not back, and lend a hand." Edward Everett Hale  
Let's unpack that.

## LOOK UP, NOT DOWN.

Lao Tzu is quoted as saying, "Leadership has been defined as the ability to hide your panic from others." Body language for a leader is critical. It helps to look the part. In fact, it is essential. Most PEO leaders possess strong entrepreneurial tendencies. Our industry is constantly balancing the everchanging business and political climate while implementing new initiatives to better serve the market. Effective leaders read the room. In the past fifteen years our industry has faced massive challenges with the Great Recession, the Affordable Care Act, Covid 19, the PPP loan, ERTC, and ransomware of key associate members. Reflecting back, our NAPEO leaders, both volunteer and staff held tough and powered through. They held their heads high, looked outside of themselves to their team and the empowered people to innovate, improve, and advance. In some cases, this leadership literally saved an industry from the brink of disaster. A common denominator was they all held

their poise and led. We now face new challenges and opportunities as technology, artificial intelligence, and new entrants into the market begin to appear.

## LOOK OUT, NOT IN.

Think Ernest Shackleton. Often cited as the gold standard of leadership in crisis, Shackleton saved the lives of his men by overcoming ridiculous odds over a long span of time in brutal weather conditions. He constantly was looking outward toward the next solution. Not the end game solution, but the next solution. By focusing on what was the best thing to do next, his decisions combined into an unlikely and glorious result. Alison Levine also has great insight on this in her leadership book. Recommendation: *Endurance* by Alfred Lansing and *On the Edge* by Alison Levine.

## LOOK FORWARD, NOT BACK.

Think Steve Jobs. He said, "People don't know what they want until you show it to them. That's why I never rely on market research. Our task is to read things that are not yet on the page." Apple has been a leader in innovation and creating products we all want but didn't even know we wanted. His forward thinking changed the world. We often ask ourselves, "What does the client want?" Perhaps we should be taking a

more innovative approach, like Jobs. Recommendation: Steve Jobs by Walter Isaacson

## LEND A HAND.

Think Mother Teresa or Mahatma Gandhi. A title or a position is not necessary to lead. One can lead from any chair. These two were among the most influential people on the planet and neither held a title. Alexander den Heijer said, “When I talk to managers, I get the feeling that they are important. When I talk to leaders, I get the feeling that I am important.” It is said that good soldiers make good generals. It is important for a team to know that their leader is willing to role up their sleeves and do whatever is necessary to help the team succeed.

Implementing an effective leadership strategy is a deeply personal and professional endeavor. It is impossible to do it like anyone other than oneself. “Authentic” is a word that has been overused to the point of ad nauseum, but it is true. Know oneself and live that authentic self. People immediately see through a playacting leader. There are many personality profile tests available. Virtually every PEO offers some version of a good personality test. Here again, we all have our favorites. Of the half dozen or so tests that I have taken, the biggest impact has been on identifying

weaknesses. That allows discernment and moderation to surface when charging ahead might be the initial instinct. Knowing oneself and the styles and hard wiring of those with whom we work is a critical piece of the puzzle. Without it and

Teddy Roosevelt had Hale’s quote to build his life on. I combined two from mentors of mine. “Show up, tell the truth, and see what happens. Then, do the next right thing.” On a broader scale, I also apply Rule Six from Ben and Rosamund



## EFFECTIVE AND AUTHENTIC (SINCERE) LEADERSHIP WILL ALMOST ALWAYS, INFLUENCE BEHAVIOR, ATTRACT TALENT, DRIVE RESULTS, FACILITATE CHANGE, SPOT OPPORTUNITIES, BUILD STRONG CULTURE, AND DRIVE HIGHER REVENUES.

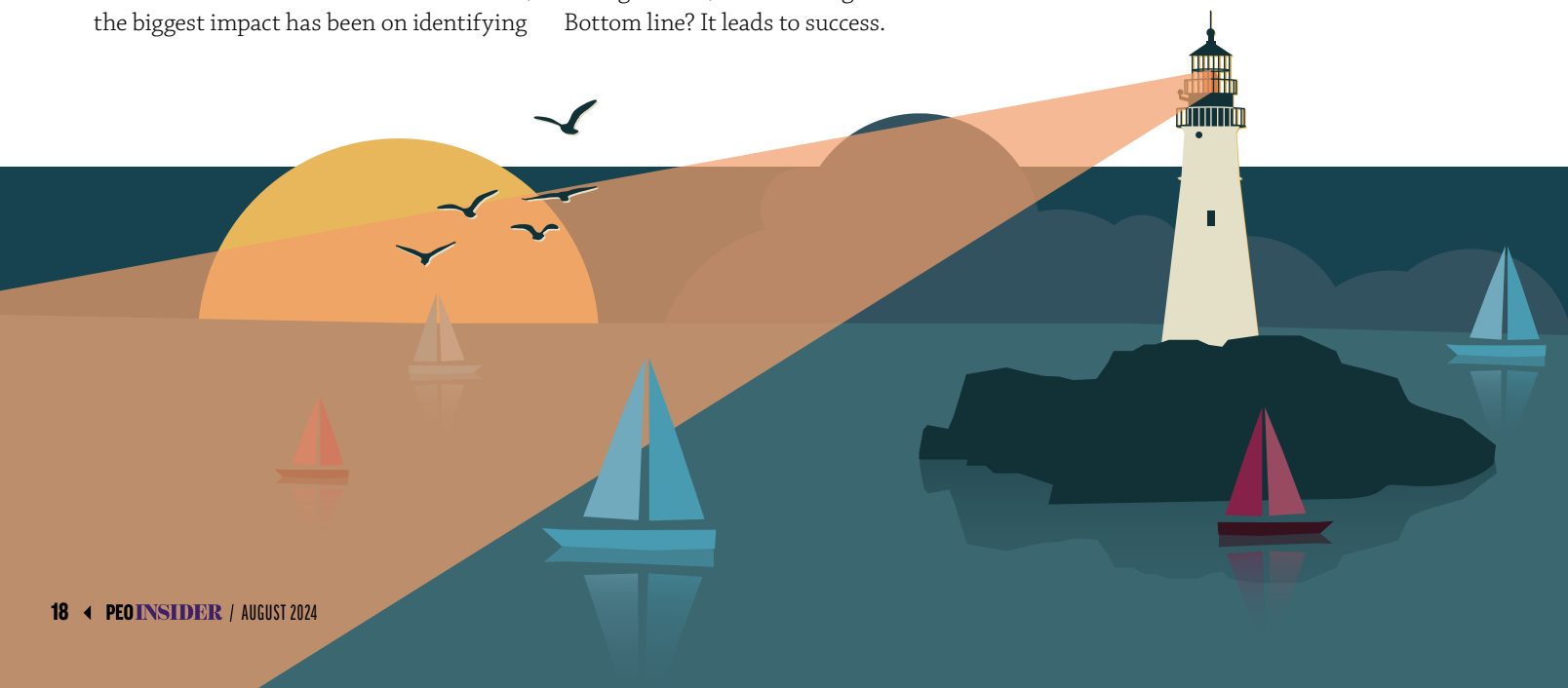
a good understanding of how to best use that information, communication breakdowns and missteps are likely. Recommendation: First, take at least one personality test, preferably several. Second, read True North by Bill George. Effective and authentic (sincere) leadership will almost always, influence behavior, attract talent, drive results, facilitate change, spot opportunities, build strong culture, and drive higher revenues. Bottom line? It leads to success.

Zander’s book “The Art of Possibility,” which beautifully states, “Don’t take yourself too seriously!” I don’t, and it has served me well. ■



### JOE BEERS

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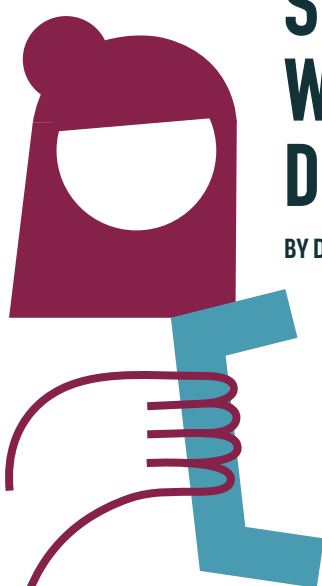
CULTURE





# STRATEGIC LEADERSHIP PLANNING WITH PEOs TO ACCOMMODATE A DIVERSIFIED WORLD

BY DAVID PEARSON




Company leaders must constantly be on the lookout for who's next in line to keep the business moving forward. They must consider: Who are the best candidates? Where can employees perform better? And how does it make a difference in achieving strategic alignment?

Fortunately, the surge in technology and remote work environments have created a larger pool of talent for employers to recruit from. Companies are expanding beyond their own cities and states, reaching candidates country-wide and beyond, to curate the perfect team to meet their needs.

However, a distributed and diversified workplace faces unique challenges. With five generations of employees all working together, from different areas of the globe, managing a collaborative culture requires a personalized approach.

Therefore, small- and medium-sized business (SMB) leaders are turning to PEOs for guidance on how to best manage employee training and advancement as it relates to DEI, effective communications, and advanced technology. Additionally, they are seeking support when handling the generational adjustment when it comes to mentorship for next-in-line leaders.

Since adaptability is one of the prime advantages PEOs offer, companies can benefit from a partnership



**Since adaptability is one of the prime advantages PEOs offer, companies can benefit from a partnership to support their overall strategy. By looking at it through the lens of HR, a PEO helps businesses fill in their recruiting and retention gaps by providing them with ways to develop leaders within.**

to support their overall strategy. By looking at it through the lens of HR, a PEO helps businesses fill in their recruiting and retention gaps by providing them with ways to develop leaders within.

## MENTORSHIP IN THE MODERN WORKPLACE

Internal mentorship programs are as diverse as the workplaces they serve. They should be designed with a company's specific needs and current climate in mind.

Though mentorship is not a new strategy, the core of it has changed. There's an extra sense of awareness necessary to address cultural differences and sensitivities.

Previously, the age of a person would often coincide with their tenure at a company, automatically making an older employee the mentor to a younger mentee. However, in modern work environments, the focus should be structured to match less experienced employees with seasoned leaders, either within the organization or externally, regardless of age.

This approach instills a sense of camaraderie and promotes a

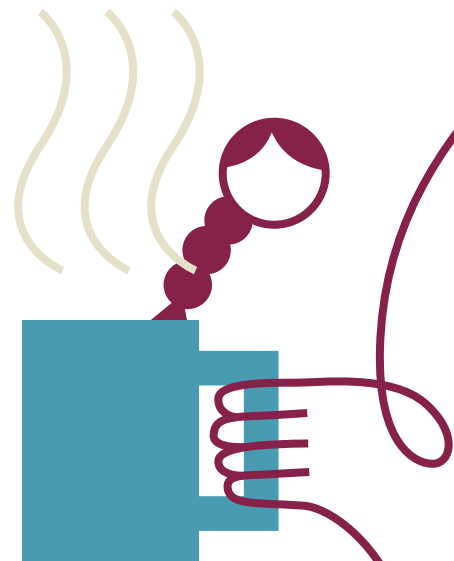
healthy work culture, allowing companies and their employees to collectively benefit. In the short term, prioritizing mentorship and training investments enhances leadership capabilities and empowers employees to continually learn and improve in their roles. Meanwhile, it creates higher job satisfaction, company loyalty, and greater retention rates in the long run.

Due to the advantages, PEOs are called upon by SMB clients to look at both internal and external options, so together, they can come up with tailored, flexible, and growth-driven plans.

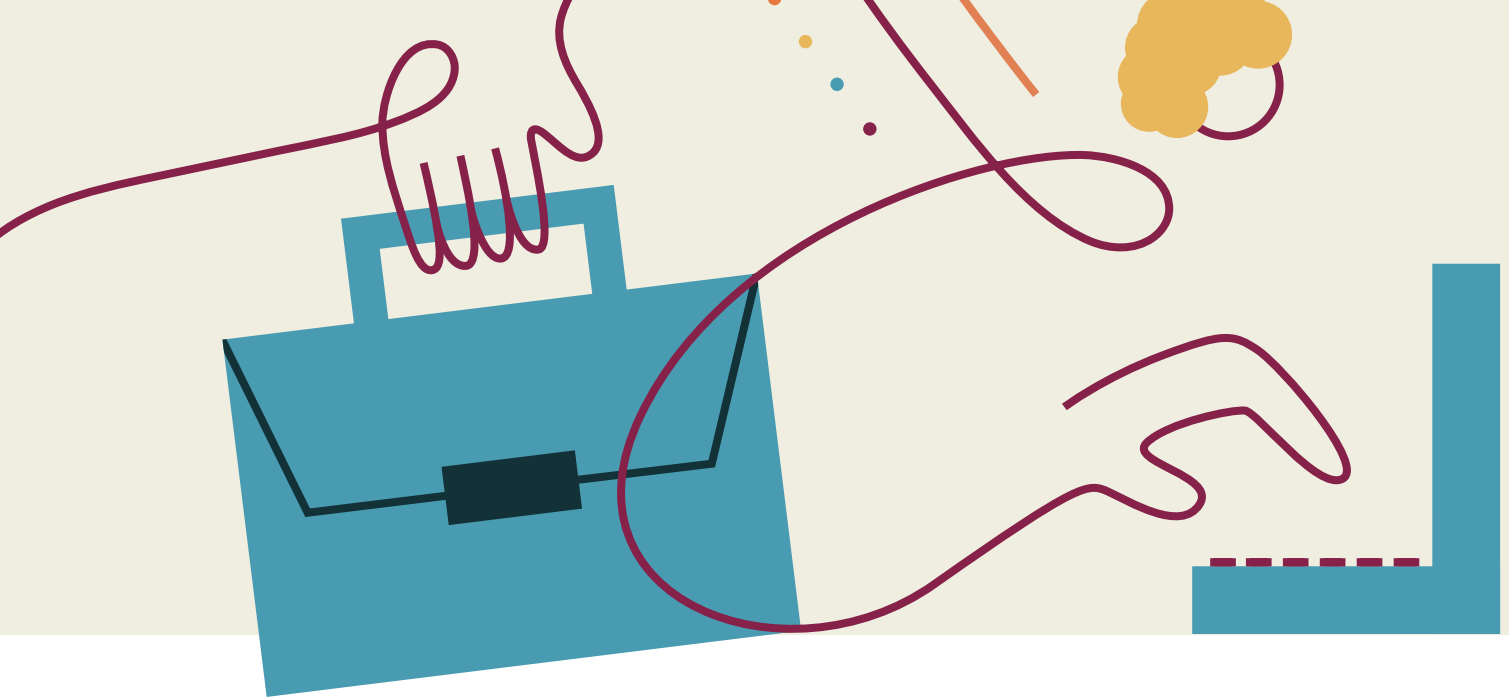
## DESIGNING A STRATEGIC LEADERSHIP PLAN WITH A PEO

Employees want companies to support a culture of professional development with the potential for advancement. There are many avenues SMBs can take, so it's best to start small and test what works to glean the best results.

As PEOs, we can offer ideas and inspiration to get businesses started and share best practices for creating an environment where employees feel recognized and fulfilled. Here's how:



**Top performers still require training on how to effectively guide and support their mentees to ensure a productive relationship. Design or suggest training and development programs with clear objectives, regular check-ins, and feedback processes.**



### Cross-Department Collaboration

Promote an environment of collaboration across different departments. This is important in breaking down silos, facilitating knowledge sharing, and exposing employees to alternative leadership styles and challenges. It also identifies potential leaders who thrive in group settings versus those who may excel one-on-one.

### Customized Training Programs

Top performers still require training on how to effectively guide and support their mentees to ensure a productive relationship. Design or suggest training and development programs with clear objectives, regular check-ins, and feedback processes. External leadership workshops, executive coaching, and seminars on best management practices are often the most effective.

### Inclusive Leadership Opportunities

At the same time, ensure there are leadership events and training workshops available for employees of all levels. Provide access to seminars, webinars, and other programs which cover various aspects of leadership, such as emotional intelligence, strategic thinking, conflict resolution, and cross-cultural communication.

### Industry Network Connections

Connecting employees with broader networks outside the organization can be

particularly impactful for leadership development, as it exposes future leaders to diverse perspectives and practices. It also serves as inspiration for employees to consider new ways to contribute to the company and elevate their roles.

### Internal Leadership Roles

Encourage clients to consider areas where employees can take on leadership roles internally, even in a temporary capacity. Options like leading a project, spearheading a new initiative, or participating in cross-functional teams allow employees to develop and demonstrate their capabilities.

### Develop A Clear Succession Plan

Identify potential future leaders within the organization and outline the path to higher-level roles. This should include personalized development plans, targeted training, and specific milestones to prepare them for future leadership positions. SMBs must know on every level who is capable of providing the assistance they need to grow and who can step in when there are vacancies.

Working with SMBs to establish clear planning and performance goals ensures leadership development is aligned with the company's strategic objectives. Regularly assess the effectiveness of implemented solutions through employee surveys and metrics. Then, use insights to refine and

adjust programming to meet the evolving demands of the organization.

### ALL ROADS LEAD TO HR

Mentorship programs, strategic alignment, and maximizing company growth all directly involve HR. Whether it's through securing successors to employees who eventually leave the company or retaining valuable talent for longer, HR impacts a SMB's overall performance and helps them become more sustainable.

Consequently, as PEOs, we should use these same leadership planning strategies for our own internal use to maintain a high level of client service and innovation. SMBs entrust us as advisors to share our HR knowledge, infrastructure, and experience to accommodate their specific needs.

We must constantly level up to stay current on benefit trends, compliance regulations, and all the complexities and nuances attached to HR. Nonetheless, with comprehensive HR services and the flexibility to adapt to the industry landscape, a PEO serves as a competitive advantage as SMBs strive for ongoing success and seek out their next leaders. ■



#### DAVID PEARSON

SVP, People & Culture  
ExtensisHR  
Woodbridge, NJ







# LEADERSHIP FROM THE CULTURAL POWERHOUSE TAYLOR SWIFT: WHAT CAN PEO LEADERS LEARN?

BY LEAH COWPERTHWAITTE

It would be a challenge to live in the US in the last few years and not have heard about the cultural phenomenon that is Taylor Swift. Whether you read TIME's 2023 Person of the Year article, heard her name during a Superbowl recap on ESPN, or had a dinner table discussion about her concert ticket demand breaking Ticketmaster, you'd be hard pressed not to have had a story or two about the pop icon enter your airwaves. In 2023 the musician launched 'The Era's Tour', (a worldwide concert series that has so far grossed over a billion dollars), to perform a decade's worth of her music to millions of fans, breaking stadium records across the globe. It's obvious from her business acumen and project execution that she is a natural born leader and role model to both youngsters and adults alike. Luckily, we as PEO professionals don't have to be certified 'Swifties' or even fans to absorb leadership traits that will increase engagement with our clients and colleagues and drive strategic value within our own organizations. Below are a few pointers on leadership that we can adopt from Taylor Swift to strengthen our collective brands and inspire others.

business it's far more common to review project successes rather than failures. As an ongoing lyrical theme, Swift commonly writes songs about failed romances and the challenges of personal relationships. Though this may seem monotonous at times, the ritual allows listeners to relate her stories to their own experiences providing them with a sense of connection and courage. As teammates within our own organizations, we can learn as much from each other through discussion of why a project didn't work and how best to approach similar situations in the future, as we can from celebrating the wins. A strong leader understands that missteps happen and by creating space to discuss inevitable failures, we set the tone for learning, and build workplaces where people feel confident to share creative strategies for growth.

## CREATING COMMUNITY

When it comes to embracing genuine connection with others, Taylor Swift sets the bar high. We as humans have a natural desire to be understood and thus cultivate groups based on shared interests, and Swift's fandom is a clear example of how people from around the world unify in their collective love of her music and art. Make no mistake though, the path her fans take to unite is a well-planned road paved by Taylor Swift and her team. From the very start of her career, 'Swifties' have been embraced and encouraged

## EVALUATING MISSTEPS

While it's often cathartic to discuss the outcomes of our endeavors, when it comes to

**Luckily, we as PEO professionals don't have to be certified 'Swifties' or even fans to absorb leadership traits that will increase engagement with our clients and colleagues and drive strategic value within our own organizations.**



Whether it's core system improvements through automation or adding new offerings through partnerships, it is challenging yet rewarding to approach a problem from a new angle and to think outside of the box.

THINK OUTSIDE  
OF THE BOX

to come together in fanhood; from hidden Easter eggs in music videos, and secret codes in the text of album pamphlets, to friendship bracelets wrapped with lyrics to be swapped with other fans at her shows. Taylor Swift has intentionally built a brand that's communicative and playful in a way that embraces fanhood and encourages connection. Did you know that Taylor Swift has hosted hundreds of fans in her own homes in anticipation of new album drops so superfans can come together to listen and celebrate prior to the record release? She literally bakes cookies for these parties. The emotional connection she cultivates by showing her genuine appreciation and love for her fans is uncommon and reinforces their dedication to her.

While it may not be convenient to host every employee or client in your home for an annual dinner party, leaders can foster a sense of community within their client and employee populations by finding new ways to reinforce connection and brand loyalty. By developing consistent practices (client spotlights, newsletters, idea-fests, annual team building) that help your teams feel inspired

and appreciated, you can increase client referrals and watch employee retention stats become a measurement of success.

### CREATIVE STRATEGIES

It's not often possible to see every curve ball coming your way in the PEO business and it can be frustrating when outcomes don't meet your expectations, but identifying new strategies that align our values with new opportunities for growth is why we love this work. Taylor Swift has seen her fair share of challenges, from missing the opportunity to purchase her musical catalog, and dealing with public slander, but she finds strategic loopholes to create silver linings. Take for example her years long efforts to re-record previous albums that were sold to another entity so that she can own and control her work, an effort that has further inspired additional albums. She also circumnavigated the movie studios in Hollywood during a SAG-AFTRA strike in 2023 by hiring cinema professionals and meeting the union's standards to produce 'The Era's Tour' movie. By releasing the film directly to theatres, she reinvigorated America's 'let's go to the movies' vibe and delivered the show to fans who couldn't secure a

concert ticket. How can we as PEO professionals look at challenges differently and reimagine strategies that are profitable and inspiring? Whether it's core system improvements through automation or adding new offerings through partnerships, it is challenging yet rewarding to approach a problem from a new angle and to think outside of the box.

Finally, our purpose as leaders centers on our ability to help others find achievement. Taylor Swift does an incredible job incorporating her friends and peers to collaborate, thereby sharing in the music's popularity and financial success. The undeniable phenomenon of this star has inspired many people around the world and even courses at prestigious universities, so let's embrace some lessons from Taylor Swift's playbook to further develop a unique and authentic leadership style that focuses on gratitude. Stay humble and remember how lucky you are to have the opportunity to lead. ■



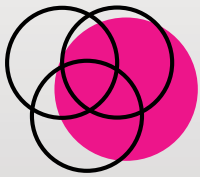
**LEAH COWPERTHWAITTE**

VP, Partners & Alliances  
Payroll Funding Company  
Raleigh, NC

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# MENTORING FU



## NAVIGATING THE SHIFTING SANDS: THE IMPERATIVE FOR MENTORING PROGRAMS WITHIN PEOS

BY SCOTT A. JOHNSON

The PEO landscape is undergoing rapid and transformative changes driven by technological advancements, evolving workplace dynamics, and a renewed emphasis on diversity and inclusion. In the wake of these changes, the need for effective mentoring programs for employees has become increasingly critical. This article delves into the multifaceted purpose of the “Heavenly Seven” integrating mentoring initiatives.

### BIG PICTURE THINKING

In a swiftly changing corporate landscape, big picture thinking is paramount for organizations to stay ahead. Mentoring programs play a pivotal role in fostering this mindset among employees. By pairing mentees with seasoned mentors, organizations create an environment where individuals can gain insights beyond their immediate roles. Mentors guide mentees to understand the broader

industry trends, market dynamics, and strategic imperatives. The mentored employee’s better understanding of how their work contributes to the overall goals of the organization is an effect of a forward looking mentor/mentee relationship. Thus they can communicate more effectively with one another, share ideas, provide feedback, and work cohesively towards a common goal. This can lead to more efficient processes, fewer

# TURE LEADERS

misunderstandings, and better outcomes. This holistic perspective cultivates a workforce capable of navigating complexity and contributing to the PEO's long-term success.

## RETENTION IMPROVEMENT

High employee turnover can impede organizational growth and stability. Mentoring programs serve as a powerful tool in improving retention rates. Turnover, incompetence, lost knowledge and a lack of preparation are expensive and inefficient. Through mentorship, employees often develop a sense of loyalty and commitment to the organization. The guidance and support provided by mentors contribute to the mentees' professional and personal growth, creating a bond that goes beyond job

responsibilities. This emotional connection fosters a positive work environment, reducing the likelihood of employees seeking opportunities elsewhere.

## CAREER ADVANCEMENT

Mentoring programs play a crucial role in propelling career advancement for employees. As the corporate landscape evolves, the importance of mentorship in career development becomes more pronounced. PEOs emphasizing networking and mentorship create strong professional relationships fundamental for career growth. Mentors are the cornerstone of these environments where employees can connect with seasoned professionals, receive guidance, and expand their professional networks, creating pathways for advancement

***“In a swiftly changing corporate landscape, big picture thinking is paramount for organizations to stay ahead. Mentoring programs play a pivotal role in fostering this mindset among employees.*”**



within the PEO. Together, these tenets form a robust foundation for career advancement within the PEO. Mentors provide guidance on navigating career paths, honing skills, and seizing opportunities for growth. The mentorship dynamic facilitates candid discussions about career aspirations, enabling mentees to set realistic goals and make informed decisions about their professional trajectories.

### **ENHANCED CONNECTIVITY AND EMPATHETIC RAPPORT**

In a dynamic corporate environment, fostering strong connections among employees is essential. Mentoring programs contribute to building a culture

of collaboration and mutual support. The mentor-mentee relationship encourages open communication, creating a space where individuals feel heard and valued. This allows employees to identify opportunities to add value, anticipate challenges, and make informed decisions that align with the PEO's long-term goals and values. This empathetic rapport extends beyond professional matters, fostering a sense of belonging and camaraderie within the organization.

### **INCREASED EMPLOYEE DIVERSITY AND REPRESENTATION**

Achieving diversity and inclusion is a priority for modern organizations. Mentoring programs can be

**“In a rapidly adaptive PEO, knowledge is a valuable asset. Mentoring programs facilitate the efficient transfer of knowledge from experienced employees to those eager to learn.”**

instrumental in promoting diversity by creating opportunities for underrepresented employees to access guidance and support. By intentionally pairing mentors and mentees from diverse backgrounds, organizations can break down barriers, challenge biases, and create a more inclusive work environment. Mentors are to encourage employees to work together and share ideas, which can lead to more creative solutions and better outcomes. Diverse perspectives can also challenge assumptions and push teams to consider different possibilities. This not only enhances representation but also enriches the organizational culture with diverse perspectives which brings clarity; clarity brings understanding and understanding, acceptance.

### **ACCELERATED KNOWLEDGE SHARING**

In a rapidly adaptive PEO, knowledge is a valuable asset. Mentoring programs facilitate the efficient transfer of knowledge from experienced employees to those eager to learn. This accelerates the onboarding process for new hires and ensures that institutional knowledge is preserved and disseminated. As technology and industry standards evolve, this knowledge-sharing mechanism becomes

crucial for maintaining organizational agility and competitiveness. When mentors align their mentorship with core strategy and vision, they are better able to align their actions with the overall strategy and vision of the organization. This leads to unification of values and culture within the PEO, which in turn leads to better performance and success.

### **UPSKILLING/RESKILLING EMPLOYEES**

The need for upskilling and reskilling has become imperative in the face of technological advancements and evolving job requirements. Mentoring programs provide a structured framework for employees to enhance their skills. Mentors, often possessing valuable industry insights, guide mentees in identifying relevant skills and competencies. This personalized approach to learning ensures that employees remain adaptable and equipped to meet the demands of a pointed and client driven success model. Mentors can provide training for mentees several levels higher than their current role. This has the benefit of broadening the perspective of the mentee and teaching additional considerations needed to manage priorities that are beyond what they would normally experience. This form of

experiential learning reinforces the explanation of the big picture and is a catalyst for succession planning.

The mentor enhances this process by asking good questions, pushing the employee to look inside themselves for the answers and any personal biases or assumptions that may obfuscate their success, thus deepening capacity and broadening awareness. As such this enables the mentee to consider the larger context of a situation or problem, connect various factors and perspectives, and understand how they interact to shape the overall outcome. As such, the integration of mentoring programs is not just a strategic choice but a necessity. These programs serve as catalysts for the big picture thinking that drives a highly competitive and consolidated workforce. As PEOs embrace and adapt to the evolving professional landscape, investing in mentoring initiatives becomes a proactive measure to cultivate a resilient, skilled, and diverse workforce capable of thriving in the face of change. ■



**SCOTT A. JOHNSON**

*PEO Safety Manager  
Paychex Business Solutions  
Mulberry, FL*

# PLANNING FOR LONG-TERM SUCCESS: STRATEGIC THINKING FOR PEO LEADERS

BY HEATHER KEEFER SAULSBURY

All established industries go through lifecycle changes over the years based on market and economic trends. Leadership must embrace change with a forward-thinking mindset, keeping up with shifting demands and expectations.

The PEO industry is now several decades old. PEO leaders have shifted and evolved their respective PEO through the consistent change. PEOs have contended with changing terminology, rebranding and remarketing based on shifting preferences. Now, we might cringe at the phrase “employee leasing,” but we still need to understand and embrace the past to fully understand how the industry has changed.

This industry continues to grow with more than 500 PEOs in the U.S. employing 4.5 million worksite employees and representing 17% of employers that have 10 to 99 employees. As the PEO industry develops into its adulthood, the climate continues to shift.

No matter what changes are ahead, PEO leaders must think strategically for continued success in the years to come.

## EMBRACE SHIFTS IN CLIENT AND EMPLOYEE SENTIMENT

PEO clients are the drivers of change in the industry. Employees and labor market trends significantly impact the benefits and support actions employers take. Your strategic roadmap for the future could account for current PEO industry trends like:

- More small businesses working with PEOs
- An increasingly competitive benefits landscape

- A greater focus on employee retention and satisfaction
- Reducing the cost of Human Resources with better technology
- Integrating more holistic wellness programs for employees

Additionally, newer generations are stepping into leadership roles, so it’s key to appeal to the new way of doing business. This primarily requires embracing new technology requirements (we’ll discuss this more below).

Nailing down exactly what employees and clients are looking for helps PEO leaders respond accordingly. For instance, leaders should be prioritizing new tech partnerships and embracing the efficiencies that robust insights provide to organizations due to an increased emphasis on technology and remote work.

## A FOCUS ON EDUCATION AND IMPROVED SERVICE DELIVERY

With several shifts in the industry and an increasing dependence on technology, leaders must prioritize training and education. PEOs can only truly meet the needs of the moment with agile, informed team members.

Policies must be in place to ensure timely updates are made based on new systems, human resources trends and changing labor legislation. Emphasize the importance of professional development and continuous growth throughout your teams. PEO leaders and team members alike must be closely connected to the market at large through networking, events and continued learning.

**“With several shifts in the industry and an increasing dependence on technology, leaders must prioritize training and education. PEOs can only truly meet the needs of the moment with agile, informed team members.”**

PEOs wouldn’t exist if businesses knew exactly what to do when it comes to human resources. That’s why our clients pay us. They put their trust in us to gain access to the best of the best. Live up to that need with a greater emphasis on team learning and growth, which leads to the exceptional service delivery that today’s businesses expect.

## PAVING THE WAY FOR NEW LEADERSHIP

Another key concern for PEO leaders is recognizing when it’s time to lead and embrace change. The foremothers and forefathers of the industry are now retiring, and that means many new and different people, with varying industry backgrounds, are taking on leadership roles. Embracing these shifts means taking steps like:







**“Another key concern for PEO leaders is recognizing when it’s time to lead and embrace change. The foremothers and forefathers of the industry are now retiring, and that means many new and different people, with varying industry backgrounds, are taking on leadership roles.**

- Creating new opportunities for mentorship and relationship-building
- Keeping an open mind to improvements that change brings to industries and companies
- Not holding on to outdated systems and processes
- Asking for feedback from clients and employees at all experience levels
- Establishing clear policies and roadmaps for leadership transitions
- Reinforcing company culture, values and purpose and how changes still embrace those key components of the organization’s mission
- Encouraging open communication and transparency
- Encourage our educational system to include PEO content in business coursework for students in state colleges and universities.

Embracing an attitude of acceptance and recognizing when a new idea is better is conducive to growth and success. It also helps you to forecast the future.

### KEEPING A PULSE ON THE FUTURE

Not all changes can be foreseen, but that doesn’t mean PEO leaders can’t prepare. Understanding technology and data trends better can help you recognize that these technologies usually aren’t going away. It is better to stay ahead of data trends, embracing what they can do for businesses and what they may mean for the industry as a whole.

For example, as time-consuming tasks are automated and thus become more efficient, consider what that means for the greater workforce. What jobs are impacted, and what jobs are created? Ask how AI or new data tools can assist with human resources solutions like recruitment in onboarding to improve candidate screening and culture matching. Rely on data analytics tools to better understand retention and turnover at client organizations and integrate more personalized solutions.

Another current and future concern is what the typical work environment will look like. There is a huge need now more than ever to prioritize company culture. Leaders need to identify, create and foster

a positive work culture that aligns with the company’s purpose, no matter what the modern workplace looks like.

Finally, remember that employers don’t always know what changes to compliance laws are being proposed and even implemented. Stay ahead of any potential legislation shifts so you can be there for clients when it is time to update policies.

### BE PREPARED FOR CHANGE

Clients and human resources complexities may always be evolving, but one thing is certain: PEO leaders must be prepared for continuous change. This means being open and flexible, knowing when to recalibrate and staying ahead of what’s in store for the future. Courtship and mentorship of the industry’s current and rising leaders will help to strengthen the foundation of our continued success and growth trajectory. ■



**HEATHER KEEFER SAULSBURY**

*Executive Vice President  
PrestigePEO  
Sunrise, FL*



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# EMPOWERING PEOs:

## THE IMPERATIVE OF EDUCATING MINORITY SMALL AND MID-SIZE BUSINESSES

BY FELICIA G. HARRIS

**I**n the dynamic landscape of human resources and business management, PEOs play an increasingly pivotal role in supporting small and mid-size businesses (SMBs) to navigate complex employment regulations, streamline operations, and foster growth. However, amidst the vast array of services offered by PEOs, the criticality of educating minority SMBs about the value PEOs bring cannot be overstated. As leaders in the PEO sector, it is our collective responsibility to illuminate the path for minority SMBs, showcasing the transformative potential of PEO partnerships.

### UNDERSTANDING THE MINORITY SMB LANDSCAPE

SMBs stand as the vital pillars of global economies, driving job creation, fostering innovation, and fueling economic progress. Notably, minority women in the United States are leading the charge in starting and managing SMBs more than any other demographic group. However, despite their pivotal role, these enterprises often confront daunting obstacles, from resource constraints to the complexities of employment regulations. In this landscape, PEOs emerge as indispensable allies, providing holistic HR solutions that empower SMBs to concentrate on their core functions while ensuring adherence to regulations and operational efficiency.

Statistics reveal the significant contribution of minority women to the SMB sector. According to recent data, minority women owned businesses grew by 163% between 2007 and 2018, at a rate nearly three times

faster than all businesses during the same period. Additionally, as of 2020, women of color accounted for 50% of all women-owned businesses in the United States, underscoring their pivotal role in driving entrepreneurial activity and economic vitality. As of 2023, women-owned businesses made up 39.1% of all U.S. businesses. Between 2020 and 2023, they've outpaced the revenue growth rate of male-owned businesses by 82.4%, according to JPMorgan Chase & Co. Roughly half of those women-owned businesses are minority-owned, making minority women-owned businesses a significant market to serve.

Despite their remarkable growth and resilience, SMBs led by minority women often grapple with unique challenges, including access to capital, networking opportunities, and regulatory compliance. Many of these entrepreneurs juggle multiple responsibilities, balancing the demands of business ownership with familial and societal obligations. In such a landscape, the support provided by PEOs assumes heightened significance, offering tailored solutions to address the specific needs and challenges faced by minority women-owned SMBs.

EverythingHR PEO plays a crucial role in alleviating the burdens of HR management for SMBs, providing expertise in areas such as payroll administration, employee benefits, and regulatory compliance. By outsourcing HR functions to PEOs, minority women-owned SMBs can access a wealth of resources and knowledge, enabling them to navigate the complexities of employment regulations with confidence and efficiency. Moreover, PEO partnerships

free up valuable time and resources, allowing these entrepreneurs to focus on strategic growth initiatives and innovation.

In addition to HR support, PEOs serve as strategic advisors, offering guidance on business development, workforce planning, and risk management. Through personalized consultations and tailored solutions, PEOs empower minority women-owned SMBs to overcome obstacles, seize opportunities, and achieve their full potential. Furthermore, PEOs foster a culture of inclusion and diversity, championing the advancement of underrepresented entrepreneurs and promoting equitable opportunities for growth and success.

### THE POWER OF KNOWLEDGE SHARING

Education is the cornerstone of empowerment. By educating minority SMBs about the benefits and intricacies of PEO partnerships, we not only foster a deeper understanding of our services but also cultivate trust and transparency. Through workshops, webinars, and informational resources, we can elucidate the array of services we offer from payroll and benefits administration to risk management and regulatory compliance. Moreover, by demystifying complex HR concepts and regulations, we enable minority SMBs to make informed decisions that align with their strategic objectives.

### MITIGATING RISKS AND ENHANCING COMPLIANCE

In today's regulatory landscape, compliance is non-negotiable. Minority SMBs often lack the resources and expertise to navigate the ever-evolving labyrinth of employment laws

and regulations, exposing them to considerable risks. PEOs serve as strategic partners in risk mitigation, offering expertise in compliance management, employee relations, and workplace safety. By educating minority SMBs about regulatory requirements and best practices, PEOs empower them to proactively address compliance challenges, thereby safeguarding their businesses and employees.

### DRIVING BUSINESS GROWTH AND INNOVATION

Beyond compliance and risk mitigation, EverythingHR PEO partnerships catalyze business growth and innovation. By outsourcing HR functions to a PEO, minority SMBs can unlock valuable resources and expertise, enabling them to focus on strategic initiatives and expansion opportunities. Moreover, PEOs foster a culture of innovation by introducing cutting-edge technologies and best

practices that enhance operational efficiency and employee engagement. By educating minority SMBs about the transformative potential of PEO partnerships, we pave the way for sustainable growth and competitiveness in an increasingly dynamic marketplace.

### FOSTERING LONG-TERM COLLABORATIONS

Building enduring partnerships goes beyond a single educational effort; it requires an ongoing dedication to nurturing mutual growth. Through consistent support and education tailored specifically for Minority SMBs, EverythingHR PEO showcases our unwavering commitment to delivering tangible benefits and nurturing shared success. From individualized consultations to customized training initiatives, EverythingHR PEO cultivates an environment of collaboration and trust, establishing ourselves as essential allies in the journey of Minority SMBs.

### PROSPERITY AND INNOVATION

In the ever-evolving landscape of minority SMBs, education is the catalyst for transformation. By empowering minority SMBs with knowledge about the benefits and intricacies of PEO partnerships, we enable them to unlock their full potential, drive growth, and navigate challenges with confidence. As leaders in the PEO sector, it is incumbent upon us to champion the cause of education, illuminating the path for minority SMBs and fostering a future of prosperity and innovation.

Together, let us embark on a journey of empowerment, where knowledge serves as the cornerstone of success, and partnerships flourish in the pursuit of excellence. ■



**FELICIA G. HARRIS**

President & CEO  
EverythingHR PEO  
Rochester Hills, MI

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# PEOs IN THE COMMUNITY: SPIRIT HR: BUILDING THE ARTISTIC SPIRIT OF OKLAHOMA CITY

BY EVAN FALLOR

**S**pirit Human Resources CEO Dale Hageman knows firsthand how a vibrant community can uplift and inspire its residents.

Giving back to the Oklahoma City community he's called home for 40 years has long been a passion for Hageman—he's served on countless boards and committees that serve central Oklahoma—and he's made volunteering a core tenet of Spirit HR since founding the PEO with Marilyn Conyer nine years ago.

The Spirit HR team volunteers together in the community once per quarter, with its efforts targeted towards helping

underprivileged youth. A committee of Spirit HR employee volunteers selects the organizations the company helps, and then helps vet and coordinate participation. One of those beneficiaries is Allied Arts, an organization that provides grants to more than 40 cultural agencies in central Oklahoma, including the Oklahoma City Museum of Art, Science Museum Oklahoma, the Oklahoma City Philharmonic, and the Oklahoma City Ballet.

Its mission: allow more children to experience the arts by helping local museums and organizations offer low ticket prices and free events. It's

generated more than \$91 million for cultural nonprofits across the Sooner State since 1991.

Spirit HR has helped that cause, both in money and in time. Spirit's employees can take a payroll deduction and donate money out of their paycheck each month to benefit the organization, complementing its ongoing employee fundraising efforts for the nonprofit.

Members of the Allied Arts team visit Spirit HR's offices annually to show the impact the money raised from the PEO is making on local communities, and to gather the team for on-site arts activities. The longstanding

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The Spirit HR team volunteers its time with Citizens Caring for Children, a nonprofit that provides needed supplies to Oklahoma's foster children.

partnership has created innumerable heartwarming stories that are especially meaningful for Hageman, an arts enthusiast who served on Allied Arts' board for five years.

"It means a lot to help, because a lot of them are underfunded arts agencies that help kids," Hageman said. "It adds

to the culture and the beauty of our area and brings more affordable entertainment. We're nurturing creativity and fostering a sense of connection that transcends generations."

In April, the PEO volunteered at the Oklahoma City Festival of the Arts, an annual event where artists from around

the country descend on OKC's Bicentennial Park and neighboring streets to showcase top-notch art. Hageman has been involved with the festival and Arts Council Oklahoma City for more than two decades, dating back to his days as president and CEO of Accord Human Resources.

Spirit HR staff was on site for the city's "beloved rite of spring," serving food and drinks at its meal tents, volunteering as it has for each of the past nine years. The team also raised money for the council internally and across a network of colleagues to support music education and needed art supplies in lower income areas.

"It's about more than just contributions," Hageman said. "It's about enriching lives, building a stronger community, and celebrating the artistic spirit that defines our city."

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It's a rapidly growing city that Spirit HR Chief Revenue Officer Adam Graham describes as "friendly, kind, and welcoming." It's also a city within a state that is majority rural and has had its issues battling poverty throughout its borders.

Though Graham just started with the firm in February, he said he already understands Spirit HR's long-term commitment to the Oklahoma City community, including improving life for its lower income residents. It's become a cause near and dear to the PEO's employees, many of whom were born and raised in the state.

"Anyone who comes to Oklahoma City says the same exact thing: 'It's a much bigger, nicer, and more modern city than I expected,'" Graham said. "And the second thing is that it has the nicest people in the world. We're a community that loves to help each other."

Hageman says spending time with underprivileged children was a priority in his decade on the board of the Foundation for Oklahoma City Public Schools, so much so that he encouraged Accord HR employees to volunteer each work week as reading and math tutors at a local elementary school. The goal: to have employees become mentors and make a difference in the next generation of Oklahomans.

That desire to help local youth has continued onto Spirit HR, notably through its partnership with Citizens Caring for Children, a nonprofit that provides clothing, hygiene products, books, and other vital resources to area foster children.

The PEO has volunteered with the organization for the past three years, helping collect school supplies, clothes and shoes during the summer months.

Spirit employees help sort merchandise in the nonprofit's warehouse and set up displays so children in need are ready to receive the items ahead of the school season and around the holidays.

The three-pronged approach of helping the Allied Arts, Festival of the Arts, and Citizens Caring for Children has helped set the next generation up for success, and the giving spirit of Spirit HR isn't going away any time soon.

"It's all about helping the kids for me and it's what goes to my heart," Hageman said. "I look forward to continuing our efforts to make Oklahoma City a beacon of culture and compassion." ■



**EVAN FALLOR**

*Director, Communications  
NAPEO  
Alexandria, VA*

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# SLAVIC401K: INDUSTRY PIONEER TO INDUSTRY LEADER

**F**ew things are more complicated than the PEO business, and even fewer things are more complicated than retirement plans within the PEO business.

It's no surprise then that PEOs depend on knowledgeable partners to provide 401(k) plans. Research has shown that companies who participate within a PEO's 401(k) plan are five times as likely to remain with that PEO than other clients. Simply put, retirement plans represent a sought-after benefit

employers want to provide to employees. Offering retirement savings plans increases a PEO's value proposition. It's a hook to keep clients engaged and committed.

More than 36 years ago, John Slavic began building the infrastructure to offer such a hook to a new industry. He had extensive experience with Kemper 401(k) plans, rising to top salesman in the world. He recognized the opportunity that PEOs presented.

His decision to bet on a new industry has paid off. His company has grown

from a single employee to over 300 today. Slavic401k serves more than 12,000 businesses representing more than 250,000 plan participants with more than \$10 billion in assets under administration.

John Slavic pioneered the PEO retirement plan industry and has never stopped investing and innovating for the future. He understands how complex and dynamic the PEO industry is. An industry leader, he was chosen to be a past Chairman of The Employer Services Assurance Corporation (ESAC), the first PEO vendor to be given the position. John's support of NAPEO as an Industry Champion medallion partner helps the association deliver on our goals to grow and support the PEO industry.

## MAKING THE RIGHT CALL

In the 1980s, John decided to write a financial newsletter to offer his take on the markets.

"I would take it to a printer and run around office buildings in Boca Raton to pass it out and hope the phone would ring," he recalls.

It did, and John built a good practice with individual investors. In early October of 1987, he felt fearful about the market. He decided to make a gutsy call to pull all his clients' assets out. Three weeks later the stock market crashed, and many Americans lost a great deal of their investments. One client was so impressed with his financial acumen, he called the *Florida Sun Sentinel*. A reporter and photographer came to John's office, and he appeared on the front page of the business section. The article really catapulted his reputation.

Around this time John began encountering PEOs and thinking about how to work with the industry. He knew the PEO model required a unique approach, one that he would have to develop and build.

"From Slavic401k's inception, we built a 401(k) record keeping system and



*Artificial Intelligence is the next technology frontier John hopes to conquer. Slavic401k has established an AI governance policy and documentation for AI use and is working to develop AI tools.*

administration system with the PEO in mind,” he says.

The company adopted a system based on providing a multiple employer plan (MEP), which at the time was uncommon. John notes that it was not until 2002 that the IRS issued a Revenue Procedure (a form of regulatory guidance) stating that PEOs may only provide 401(k) plans through a MEP.

The profound significance of this statement reverberated through the industry; it was the first formal acknowledgment of the PEO industry at the federal regulatory level. Slavic401k was prepared and leaders at this formative stage of the industry.

Slavic401k was the first to offer open architecture plans whereby the company takes funds from providers and assembles them in a best of class fund lineup. While deep financial knowledge and experience would certainly contribute to his success, John also recognized that technology would play an indispensable role.

## **INVESTING AND BUILDING FOR THE FUTURE**

John notes that the company has always had an Oracle enterprise level

license, and a cadre of developers on staff. He’s expanded recently to include a flexible team of anywhere from 25–45 developers.

“We’re as much a technology company as we are a 401(k) provider,” John says.

That means building the right technology infrastructure is as much a part of the company’s success as providing a good return on investments. Integration with payroll platforms was key to early success. It makes the platform an easy, smooth process to use and adopt.

“We’ve taken millions of dollars each year and re-invested in technology to keep up with such a rapidly changing world,” said John.

Slavic401k also provides numerous tech-driven tools and resources that bring added value to a PEO’s clients. On most Fridays John writes a commentary on the current state of the market that is sent to each plan participant with his or her account balance. Further, each month the owner/operator of each client employer receives test results for their plan within the MEP.

In 2019, the company’s robo adviser, Bespoke, won the prestigious FIS Impact Award for most impactful investment technology. The platform helps plan participants answer two essential questions 1.) how much to differ and 2.) how the deferral should be made. The system provides projections and recommended allocations and helps the participant manage it along the way.

The latest tool is Straight Through Plans 2.0 (STP). STP is designed to be fast and efficient. It simultaneously establishes a new plan within Slavic401k and the client employer’s payroll system in 10 minutes. There are many decisions companies have to make and the system distills it down to a few clicks.

“The 2.0 refers to the tax credit incentives in SECURE Act 2.0,” John explains.

STP shows a cost comparison of a new plan and the tax credits employers adopting their first 401(k) plan many qualify for. In many cases, the tax credits are enough to cover most or all of plan expenses for up to three years. Tax credit certificates are generated for each plan participant to take to an accountant. SECURE 2.0 is so complex, small businesses have a hard time understanding it. PEOs bring their compliance expertise to the table, and STP 2.0 makes sure participants can take full advantage easily.

Artificial Intelligence is the next technology frontier John hopes to conquer. Slavic401k has established an AI governance policy and documentation for AI use and is working to develop AI tools. The company is currently training an AI avatar to help customers answer complex questions in nanoseconds. In a nod to the 1974 legislation that established the 401(k) plan, the avatar is named Erisa.

“Everyone talks about AI, but it’s very difficult to design and use. We’re moving the needle,” John says.

“When we deploy it, I think we can double the size of our company and only slightly increase the number of internal employees,” he adds.

In a broader sense, John sees AI as crucial to any company’s long-term survival. Those that effectively and efficiently use AI will surpass those that don’t. He acknowledges this is a tall if not impossible task for small businesses. Offering access to AI-backed tools could be a new value-add for PEOs.

John has seen the industry develop from the early entrepreneurial, wild west days to the sophisticated and professional industry of today. It’s a very different industry, but one he’s glad to be a part of.

“I have nothing but gratitude,” he says, “It wasn’t a genius plan on my part, I just discovered PEOs at the early stage of the industry. We’ve grown working alongside PEOs ever since.” ■

# PRISMHR: EMBRACING INNOVATION TO SAIL THE BLUE OCEAN

**K**evin Andrews, president of PrismHR, has nothing but optimism for the future of PEOs. Andrews joined PrismHR in 2022, bringing three decades of experience in the HR technology space where he built and managed several leading organizations. Andrews shares that PrismHR's story began nearly 40 years ago, offering an accounting system that eventually developed into a highly sophisticated software platform tailored to the unique needs of PEOs.

"We've come a long way," says Andrews. "The PEO industry expects

more, so we deliver more. Our commitment to innovation and helping small businesses via PEOs is unwavering."

PrismHR, a Vensure Employer Solutions company, invests heavily in NAPEO as an Industry Champion medallion partner to support the association's main mission to grow the PEO industry. Andrews has mapped out a vision for PrismHR that relies on a relentless pursuit of innovation to meet clients' needs, especially around product development, technology and security.

Andrews also recognizes that his company is competing in the technology sector with different providers

outside of the PEO industry. Many businesses could benefit from partnering with a PEO, but instead opt for off-the-shelf technology platforms that offer payroll and some other HR services, stopping short of co-employment and the full suite of PEO services. To Andrews, this means his company must think strategically about how their products can help PEO clients grow and retain clients via the PEO value proposition.

"If we're not helping our partners grow, then we don't grow," he notes, "We go in with the mentality to understand their business and treat it like our own. We help them offer customized solutions to clients that deliver true value and benefits specific to the PEO business model."

Andrews indicated that many PEOs are providing a hybrid service model where a customer may not be a fit for co-employment right now, but they still need help with payroll and HR services. To align with this trend, PrismHR focuses on supporting customer business growth in both Human Capital Management (HCM) and PEO markets.

"This level of support is important because we see SMBs moving between HCM and PEO services as their needs change," Andrews explains. "This model allows the business to stay with our customers, so they can maximize their retention and growth strategy. Prism is by far the leader in the PEO service bureau space. With our recent acquisition of Execupay and the development of our HCM technology, we are positioned to become the leader in the HCM software space in the next few years."

## THE BLUE OCEAN

Andrews feels strongly that the real opportunity for growth in the industry will come from attracting new, never-before-users to PEOs.

"From a market penetration standpoint, I see a lot of blue ocean still out there," he says. "There's plenty of room

for the PEO industry to keep growing. PrismHR provides the critical software infrastructure that allows PEOs to do so.”

Since PrismHR serves many PEOs, Andrews has a unique vantage point. He often sees one business leave a PEO for another PEO for myriad reasons; “paint swapping” as he calls it. One PEO may gain a new client, but the *industry* has not actually grown.

Andrews encourages his team to think about how PEOs can tap new markets and help SMBs unfamiliar with PEOs to understand their value proposition. “Historically, the PEO value proposition has focused on back-office administration and HR help,” explains Andrews. “However, the rise in sophistication and greater availability of technology platforms means that SMBs can now buy a software subscription to handle the paperwork that entrepreneurs loathe. PEOs must integrate this technology to remain competitive and work harder to communicate the full PEO value proposition.”



## *Andrews sees data analytics and data visualization as prime opportunities for PrismHR to bring more value to its partners.*

PrismHR helps PEO customers understand best practices on leading with this technology. “It’s important that technology be user-friendly and intuitive,” said Andrews. “Business owners are more familiar with technology than they were 20 years ago. Today, business owners also require self-service technology options to streamline their user experience and operational efficiency.

PEOs need to offer technology that clients can use and engage with comfortably and effortlessly.”

More than just offering payroll processing, PrismHR’s marketplace suite of workforce management services allows PEOs to offer multiple options to clients, making the PEO offering even more attractive to more types of businesses. PrismHR partners with a variety of providers to offer these ancillary services to support small business such as telehealth, cyber insurance, early paycards, nearshore talent and more.

“We have a robust, rich marketplace of best-in-class services for small and mid-sized businesses,” Andrews says, “PEOs leveraging these resources can help create the adaptability and customization that these businesses need in the ever-changing business climate.”

To that end, in today’s dynamic environment, technology must also align with security protocols. Cybersecurity and data privacy are essential to technology innovation and best practices. Cybercriminals continue to grow more sophisticated which means detection and prevention measures must keep up.

“One of our biggest investments is around security, we have to lead from that area. From the time I got here until now, we have 20 more people on staff who work in cybersecurity,” Andrews says.

With such large volumes of payroll and data being handled each day, it is a continuous process to invest in and improve cybersecurity measures. Protecting customer data is paramount at PrismHR and in the PEO industry as a whole.

### **GENERATING VALUE FROM DATA**

In addition to mastering technology, PEOs can stay competitive and grow the industry by leveraging robust data tools. Data is everywhere now, but making sense of it all can be the hard part. PEOs need to know which metrics matter and the most effective ways to

interpret and apply data, especially to help their business and their clients.

Andrews sees data analytics and data visualization as prime opportunities for PrismHR to bring more value to its partners. Helping clients understand data reporting can make PEOs more competitive and efficient.

“We help PEOs look at what’s driving their top and bottom line, what’s causing customer retention issues and where they can identify opportunities for growth,” Andrews explains.

PrismHR recently rolled out an enhanced version of the company’s Report Center by adding its Data Warehouse. With a new dashboard and greater report building capability, users can analyze their data better than ever before. Data visualization also helps users interpret the data.

With Report Center, a PEO can spot trends among certain niches of clients. For example, by detecting a high number of layoffs, they can anticipate and prepare for higher unemployment insurance claims. This might help the PEO address common issues or understand specific marketing opportunities for each niche. Whatever the case, PrismHR empowers PEOs to use data to make better decisions that can improve operations.

PrismHR has played an important part in helping the industry move forward. By constantly delivering industry-leading HR technology, providing innovation to expand the PEO marketplace to new users, implementing strong cybersecurity measures and leveraging stronger tools for data management and analysis, PrismHR offers its partners the resources needed to thrive in an increasingly complex environment.

“Everyone at PrismHR is committed to keep on growing and innovating,” Andrews concluded. “Our customers and this industry can count on us to continue to lead the charge and deliver the technology that helps PEOs keep Main Street thriving.” ■

# isolved: HERE TO STAY FOR PEOs

**I**f you've attended a recent NAPEO Annual Conference, you may have noticed a lot more pink in the hallways. With their trademark pink polos, the isolved team is out in force at NAPEO events showing their commitment and investment in the PEO industry. As an Industry Champion medallion partner, the

company strongly supports NAPEO and our mission to help grow the PEO industry.

isolved's platform known as People Cloud™ is built to help companies scale and grow efficiently. With services spanning payroll, workforce management, benefit administration, and HR capabilities, isolved serves over 177,000 companies and manages the needs of

more than 7 million worksite employees. What sets isolved apart is its commitment to providing end-to-end solutions that cover the entire employee lifecycle, from recruitment and onboarding to retirement.

"We own 100% of our IP, we want our PEOs to feel they get everything from soup to nuts from one provider. We have no dependencies on third-party administration," isolved President Todd La Fever explains. "It [People Cloud™] handles a lot of administrative tasks which is where you're going to scale and find profitability as a business," La Fever continues, "It may not be the shiny object, but it's where you make your money."

"We're not zeroed in on a very narrow focus, we have a lot of capabilities that our partners can take advantage of," he says.

The word partner is intentional. He's invested in their business' strength and growth for the long-haul. He doesn't consider his company a vendor out to push a product, but strategic partners offering unique tools and resources.

To this end, isolved invests heavily in product development. With an annual investment of approximately 15% of its revenues in research and development, the company never stops pursuing innovation. By staying ahead of the curve and anticipating market demands, isolved ensures that its partners and clients have access to cutting-edge software solutions that

empower them to thrive in a dynamic business environment.

The balancing act is building a software platform that serves PEOs and their clients. Each PEO that joins isolved's platform brings hundreds of other businesses that have different processes, workflows and systems. People Cloud's highly configurable environment allows for businesses to use the software without having to change existing workflows.

Another key strength lies in its security infrastructure which is built to enterprise-grade standards. In an era plagued by cybersecurity threats, isolved prioritizes the protection of its customers' data, to shield from potential breaches and attacks. This commitment to security not only safeguards the interests of its clients but also reinforces isolved's position as a trusted partner in the industry.

"We have to be good stewards to guard against bad actors; it is not healthy for anybody to have a challenge in our industry," La Fever says, "When other companies have had challenges, we've reached out to offer assistance."

## A DESTINATION WORKPLACE

As important as a robust technology platform may be, more importantly are the human beings behind it. isolved traces its roots nearly 40 years back to a benefits administration company called Infinisource. In 2011, La Fever would merge his existing software

company with Infinisource to launch the present-day iteration of the company, isolved. The company began seriously exploring PEOs in 2018 and began serving PEO clients a year later. La Fever says the PEO space is a key driver of growth for the company, and a market he's fully committed to.

"We're here to stay," he says.

The first few years were spent learning the intricacies of the PEO business to discern what partners would need to be successful. A product steering committee of key members and partners in the PEO industry provided valuable feedback and insight as the isolved team built out the product. This committee will remain in place indefinitely, helping isolved adjust to ever-changing needs.

The hard work has certainly paid off with double-digit growth year over year, with the PEO space by far the fastest segment of growth. To keep up with client expectations and maintain product innovation and development, isolved also has to scale and grow. The company relies on a dedicated workforce of nearly 2,500 employees including many experienced PEO industry professionals. Training, education, and professional development are prioritized along with fostering an inclusive, positive culture.

A company is only as strong as its people and La Fever understands a healthy culture with engaged employees drives success. He hopes team members



*isolved invests heavily in product development. With an annual investment of approximately 15% of its revenues in research and development, the company never stops pursuing innovation.*

feel excited about coming to work and interacting with peers. It transcends into the client experience which is good for everyone.

An engaged and committed workforce will be crucial to maintaining the company's growth while helping partners unlock new opportunities for growth. Leveraging new technology, especially AI, is an area where isolved's expertise will be valuable. AI presents opportunities for PEOs, and partners like isolved can help lead the way on best practices. Automating repetitive tasks is an obvious example, but detecting data anomalies can be helpful, too.

Whatever the future may hold, you can be sure that isolved will be a part of it. ■

# G-P: BREAKING DOWN GLOBAL BARRIERS

**O**ver the past few years, many within the PEO industry have encountered employer of record (EOR) companies. There's been a lot of discussion within the industry about

how to partner with EORs. Fortunately, NAPEO has benefited from having G-P as an Industry Champion medallion partner. Founded by CEO Nicole Sahin 13 years ago, G-P was the first EOR company. Sahin pioneered the industry

with a vision to help create opportunities for anyone, anywhere

"I wanted to create a fast and easy way for companies to hire anyone, anywhere in the world—without setting up subsidiaries or local branch offices," Sahin says.

She explains that scaling globally had been an option reserved for the largest companies, ones who could handle the incredibly complex, time consuming and expensive process of establishing a business footprint in another country. Sahin seized the opportunity to create a solution for all businesses to take advantage of international hiring and global markets.

"Today's business landscape requires companies to think beyond their home market for access to talent and to gain a competitive advantage," she explains.

Two-thirds of executives are focused on growing their companies in 2024, G-P research shows. Yet, the lack of in-house expertise sometimes means that growing globally is not a feasible option. That's where G-P comes in.

"We help companies hire, onboard, pay and manage team members quickly and compliantly in 180+ countries and counting—all without the hassle of setting up local subsidiaries and branch offices," she says.

Compliance expertise is a key part of G-P's value proposition. From the beginning days of the company, Sahin assembled a team of knowledgeable in-country HR legal and compliance experts making it easy for companies to quickly and compliantly hire and manage teams anywhere in the world.





*Unlocking the potential of global growth can help many companies reach what Sahin calls the triple bottom line: happy customers, happy employees, and happy shareholders.*

### AI-DRIVEN SOLUTIONS

Underpinning the company and supporting clients is a best-in-class technology platform backed by AI. Sahin believes that AI is the key to accelerating global success and that companies who embrace AI and innovation will thrive in today's dynamic market.

"Our recent AI at Work<sup>1</sup> report found that 96% of executives believe that companies that use AI to support asynchronous work across countries or time zones will soon outpace those that don't, and 65% believe AI is critical for operating and being competitive across global markets," Sahin points out.

In 2023, G-P's team of technology experts developed and introduced G-P's Global Intelligence Assistant, GIA, a generative AI-enabled tool to help make every customer an expert in global growth. Sahin says the tool is a first-of-its-kind and represents G-P's

unmatched expertise on global employment and market-specific tax, benefit, and labor-law knowledge.

### THE TRIPLE BOTTOM LINE

Unlocking the potential of global growth can help many companies reach what Sahin calls the triple bottom line: happy customers, happy employees, and happy shareholders. Engaged and motivated employees perform better work which translates to satisfied customers. This feeds into company success which makes shareholders and investors happy, she explains. All three components work together. G-P's solutions help companies grow, scale, and create more value for customers.

The opportunities with global growth have the potential to make a big difference when it comes to attracting top talent. Growing globally means a company has a larger pool of talented, high-performing individuals to recruit from. Further, being a global company is a sought-after trait by many younger workers who make up the future of the workforce. G-P research found that a staggering 80% of employees want to work for a global company.

From Sahin's perspective, this is part of a larger conversation of changing workforce expectations.

"Leaders have been grappling with the changing expectations of today's workforce for the last few years. While this requires a mindset shift for some, I think it will ultimately change business for the better. The new generation of workers—that G-P calls Gen Global—are seeking more than a job—they want

opportunities for growth, diverse experiences, work flexibility and independence," she explains.

Global companies are well positioned to meet these expectations and deliver the employment experience employees look for. A G-P report found that a significant number of these Gen Global employees think that global companies provide access to better pay and benefits (49%), a culturally diverse workplace (48%), and greater flexibility (40%).

Simply put, to succeed and thrive, businesses can't afford not to consider growing globally. G-P offers clients the tools, resources, and expertise to make this goal a reality in a seamless way.

As an entrepreneur and company founder, Sahin knows the challenges of running a business. She saw companies struggle to master the payroll regulations, legal protocols, and cultural nuances of different international markets. The company she's built has pioneered an industry with one overarching mission: to break down barriers for all.

"I wanted to open pathways and remove the complexities, enabling everyone, everywhere, to have equal access to global opportunity. This not only gives companies access to global talent but also opens up opportunities for brilliant, entrepreneurial people worldwide," she says.

"We all have a role to play in breaking down barriers and creating a more positive future." ■

<sup>1</sup> <https://www.globalization-partners.com/resources/report-ai-at-work-2024/#gref>



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# PEO LEADERS WILL NEED TO STAY NIMBLE IN THE POST-CHEVRON ERA: 5 STEPS TO SUCCESS

BY JOHN POLSON, ESQ. AND RICH MENEGHELLO, ESQ.

**T**he Supreme Court's recent landmark ruling that gives employers a powerful tool to fight back against regulatory overreach will have a broad impact on just about every area of workplace law – and every industry. We're looking at the way industries will be specifically impacted now that federal agency rules and positions are more susceptible to attack after SCOTUS ditched the decades-old *Chevron* doctrine. This edition will focus on how the new standard will affect the PEO community, and provide five steps that PEO leaders can take to stay ahead of the curve.

## WHAT HAPPENED?

SCOTUS rocked the legal world on June 28 when it overturned the famous *Chevron* doctrine, holding that that courts may not defer to an agency's interpretation of the law just because it might be ambiguous. Instead, from now on, the Supreme Court said that judges "must exercise their independent judgment" when ruling on cases involving agency rules, regulations, guidance, or other actions. You can read all about it here, including all the different ways that the workplace law landscape may soon change<sup>1</sup>.

This signifies a major shift, putting much more oversight and accountability in the hands of judges. You may be thinking that giving courts more power to strike down regulations issued by an

overreaching agency is a good thing. There is, however, a dark side.

The regulations that protect or enable PEOs are equally vulnerable to court challenges. We may soon see organized labor and other pro-employee groups go on the offense by attacking such rules. And not every agency action will be susceptible to the same kind of attack, as the laws that created the agencies and gave them power to issue rules are all a little different – meaning each agency has a different amount of discretion to act on their own. This patchwork of standards when it comes to challenging federal regulators will only lead to more uncertainty. And because the PEO business model is built on legal doctrine, a dynamic and unpredictable regulatory environment presents a greater risk to your industry than other businesses.

## PEOS CAN CELEBRATE A FEW GOOD CHANGES

- **Enhanced Legal Challenges:** PEOs can now more effectively challenge federal agency rules and actions that they believe overstep statutory bounds. This provides an opportunity to push back against overly burdensome regulations that could hinder business operations. The main rule that probably comes to mind is the NLRB's broad joint employment rule (which is already facing a shaky future after a lower court struck it down in March).

- **Greater Judicial Oversight:** The increased scrutiny from courts may lead to more consistent and predictable regulatory interpretations, reducing the risk of sudden regulatory changes based on agency discretion.

## BUT THERE ARE POTENTIAL ROADBLOCKS AHEAD

- **Regulatory Uncertainty:** The transition away from the *Chevron* doctrine may lead to a period of regulatory flux, as courts reassess existing agency interpretations. This uncertainty can complicate compliance efforts and strategic planning for PEOs.
- **Inconsistent Jurisdictions:** Without a uniform deference standard, different courts in different states may interpret statutes in varied ways, creating a patchwork of compliance requirements across the country. This, of course, can be challenging for PEOs operating across multiple states.

## 5 PRACTICAL TIPS FOR PEO LEADERS

We encourage PEO leaders to take these five steps to remain agile during this period of uncertainty.

1. **Stay Informed and Proactive –** Ensure your legal team or external counsel provides regular updates on significant court decisions and regulatory changes. Staying ahead of the curve will allow you to anticipate and prepare for potential impacts.
2. **Strengthen Compliance Frameworks –** To the extent possible, work with your customers to ensure they conduct a thorough review of their current compliance policies and procedures while updating their managerial training materials.
3. **Foster Agility and Flexibility –** Adjust your business model as necessary to quickly adapt to changing regulatory requirements. This may involve diversifying service offerings

or exploring new markets to mitigate the impact of regulatory changes. Consider engaging in scenario planning exercises to anticipate various regulatory outcomes and develop strategic responses.

#### 4. **Enhance Legal and Compliance Resources**

– Consider expanding your in-house legal team or increasing collaboration with external legal counsel. Look into compliance management software and other technological tools to streamline compliance processes and ensure real-time tracking of regulatory changes.

#### 5. **Advocate for Clarity and Fairness**

– Actively participate in NAPEO, which will lead the way in providing resources and advocacy support to help navigate the shifting regulatory landscape. Hand-in-hand

with NAPEO, you can engage with policymakers and advocate for clear, fair, and predictable regulatory frameworks. Effective advocacy can help shape regulations that support the growth and stability of the PEO industry.

### CONCLUSION

The Supreme Court's blockbuster decision marks a significant shift in the regulatory landscape, presenting both challenges and opportunities for PEOs. By staying informed, enhancing compliance frameworks, fostering agility, and actively engaging in advocacy, PEO leaders can effectively navigate this period of change.

We will continue to monitor the situation and provide updates as more information becomes available. ■

1 <https://www.fisherphillips.com/en/news-insights/landmark-scotus-ruling-strips-power-from-federal-agencies.html>

▼ This article is designed to give general and timely information about the subjects covered. It is not intended as legal advice or assistance with individual problems. Readers should consult competent counsel of their own choosing about how the matters relate to their own affairs.



**JOHN POLSON, ESQ.**

Chairman & Managing Partner  
Fisher Phillips  
Irvine, CA



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# PEOs AS CHANGEMAKERS LEADING THE WAY IN THE NEW WORLD OF FIDUCIARY RESPONSIBILITY

BY JUDE ODU

**T**oday's healthcare landscape is fraught with challenges for both employers and employees. With healthcare costs skyrocketing, there is mounting pressure to reduce spending within health plans. Simultaneously, health plan sponsors face an increasing threat of legal challenges.

According to the Kaiser Family Foundation, healthcare premiums have risen faster than workers' wages over the past five years.<sup>1</sup> According to National Health Expenditure Data,<sup>2</sup> prescription drug spending increased by 8.4% to \$405.9 billion in 2022, faster than the 6.8% growth in 2021. Adding to the complexity, the latest amendment to ERISA, the Consolidated Appropriations

Act of 2021 (CAA),<sup>3</sup> which aims to clarify transparency standards and fiduciary duties, has resulted in a notable increase in legal disputes targeting self-funded employers.

Health plan sponsors will increasingly turn to their PEOs for guidance in response to this worsening state of affairs. As trusted advisors, PEOs have the expertise and resources to traverse the evolving healthcare landscape confidently. Now, more than ever, it's crucial for PEOs to be prepared to:

- 1. Offer insights on cost reduction strategies**, such as employee education, comparison shopping, and telehealth.
- 2. Address compliance concerns** and offer guidance for navigating the complexities of the CAA.

**3. Champion data-driven plan analysis**, ensuring employers clearly understand their healthcare expenditures.

In this article, we'll explore these areas of concern and offer tips for how PEOs can help clients navigate this new world of fiduciary responsibility. We'll delve into health plan cost-cutting measures, proactive CAA compliance strategies, and the need for claims data examination.

## OFFER INSIGHTS ON COST REDUCTION STRATEGIES

Providing healthcare coverage for employees is a significant expense that continues escalating with each passing year. According to the Kaiser Family Foundation,

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the average annual cost of employer healthcare insurance increased by 4% in 2021 compared to the previous year.<sup>4</sup>

However, what often goes unreported is the degree to which these expenses can be reduced. Our client work at Health Cost IQ has unveiled a startling reality: up to 50% of private employer health plan costs can be categorized as wasteful or inefficient. Employers can rein in health plan costs in numerous, often overlooked ways. Here are several key strategies to consider:

### **1. Empower through education.**

In the realm of employee benefits, engagement and understanding are crucial, yet often neglected. Educated employees are more informed about generic prescription alternatives and the in-network providers they should see. They'll be aware of all the covered benefits available to them and conscious of who on their team they should talk to in the case of a medical event. Additionally, educated employees are more likely to consider how their benefits support their overall health and are likely to make the positive connection between the good benefits they're receiving and the company that's providing them. This can lead to improved morale and increase an employee's loyalty to their employer.

### **2. Incentivize comparison shopping.**

A significant yet underutilized approach to reducing health plan costs is employee comparison shopping for medical treatments. Studies by HealthMine show that 70% of healthcare consumers don't engage in any price shopping,<sup>5</sup> and yet, healthcare quality and cost can vary widely within a city or even a neighborhood.<sup>6</sup> Encouraging the use of online and mobile comparison shopping tools can boost healthcare transparency and yield savings for both employers and employees.

Encourage comparison shopping with rewards such as a fixed bonus or a share of the savings that the company receives from the more cost-effective choice.

**3. Promote telemedicine.** With remote work now the norm, telehealth presents a convenient and accessible option for employees seeking healthcare. Virtual visits are particularly beneficial for managing common health conditions and can reduce absenteeism. Research from BenefitsPro<sup>7</sup> indicates an average of \$472 in savings for employers per episode of care with telemedicine. Additionally, it's notable that under the CAA, telehealth reimbursement coverage will remain largely the same as it was during the COVID-19 pandemic. This CAA coverage is currently scheduled to continue until the end of 2024.

With healthcare expenses' upward trend showing no signs of slowing, now is the time to rein in costs while maintaining a high standard of employee care. Employing these cost-cutting strategies can help employers make significant strides toward that goal.

## **ADDRESS COMPLIANCE CONCERNS**

Under the CAA, employers are now being held accountable as fiduciaries to an unprecedented degree. Fiduciary responsibilities, as defined by the U.S. Department of Labor (DOL), require employers to run their plan "solely in the interest of participants and beneficiaries and for the exclusive purpose of providing benefits and paying plan expenses." The DOL goes on to say that fiduciaries must act prudently and must "diversify plan's investments in order to minimize the risk of large losses. They also must avoid conflicts of interest."

With legal battles making headlines, fueled by the CAA's fiduciary expectations, employers will likely have questions and numerous concerns. As their PEO, you must

be prepared to provide actionable guidance. Encourage your employers to adopt a robust fiduciary process for the management of their health plan. Steps in this process should include:

### **1. A commitment to good fiduciary practices through staff changes.**

Employers must acknowledge the need for greater health plan oversight. This could mean the addition of a fiduciary expert on staff. Alternatively, if additional staffing simply isn't possible, establishing a fiduciary committee dedicated to managing the health plan will suffice. This team should be dedicated to reviewing details such as the selection of outside partners (PBM, brokers, and consultants). They should administer due diligence when considering whether these outside partners have conflicts of interest and be the company's chief advocate in contract negotiations. Ultimately, they should be dedicated to the mission of assembling a financially responsible and participant-first-focused health plan.

### **2. An awareness of who is getting paid and how much.**

Under the CAA, plan sponsors have increased rights, including the ability to formally request the financial details of the agreements in place with their EBCs, PBMs, or brokers. Specifically, sponsors can inquire about the earnings these parties receive from each program they recommend. These outside parties must respond within 30–90 days, per the CAA.

### **3. The wise management of health plan finances.**

The CAA dictates that "health plan dollars must be used prudently, and health plan sponsors should only pay reasonable expenses." To remain within the letter of the law, employers need to determine what they consider to be a good measurement for spending that is prudent and reasonable. In every



area of health plan expenditure, fiduciary committees should be asking questions, such as:

- Are our third-party groups getting compensated in multiple (sometimes hidden) ways that could result in unreasonable compensation relative to their contribution?
- Have we considered a reasonable number of contracts for this outside partner position, and is there a more prudent option?
- Are there any aspects of our health plan management that we're not closely regulating?

With this level of scrutiny, a fiduciary committee should be equipped to answer for every financial aspect of an employer's health plan, keeping employers safe from legal scrutiny.

### CHAMPION DATA-DRIVEN PLAN ANALYSIS

The CAA's focus on cost containment should lead to a greater emphasis on data gathering and analysis. Employers need reliable, trustworthy sources of data truth to ensure they are only paying "prudent" and "reasonable" health plan expenses. A failure to do so can result in costly repercussions, as we're seeing with the suits against Johnson & Johnson<sup>8</sup> and the Mayo Clinic.<sup>9</sup>

Claims data provides otherwise unavailable intelligence. It's a vital tool for keeping tabs on how health plan dollars are distributed and a number one means of detecting hidden faxes, fees, waste, and fraud. It's also the best way to verify that a formulary is priced correctly.

As a PEO, you have a prime opportunity to advocate for the use of claims data. If your employers look to you to provide data insights, then it's your responsibility to facilitate deeper data analysis for their benefit. Don't overlook the invaluable intelligence hidden within this data. You're responsible for actively

utilizing it to identify inefficiencies and opportunities for cost savings on behalf of your employer members.

If your employer member manages their data, encourage them to secure access to their data and analyze it to certify they're meeting fiduciary responsibilities. This data

is their most effective safeguard against CAA-driven litigation.

### CONCLUSION

Health plan sponsors need effective and practical strategies to reduce expenditure in the face of rising healthcare costs. The



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(610) 619-5628  
gus.kontogianis@usrisk.com

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implementation of the CAA has added urgency for sponsors to manage spending and fulfill their fiduciary responsibilities. As a PEO, you must be equipped with strategies and solutions to support these efforts. Seize this opportunity to help your employers create a benefits plan that is transparent, CAA-compliant, and aligned with the best interests of their company and employees. This is your moment to be a health plan changemaker. ■

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**JUDE ODU**

*Founder & CEO  
Health Cost IQ  
Phoenix, AZ*

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# PRIORITIZING WORKFORCE FINANCIAL WELL-BEING BEFORE AND AFTER OPEN ENROLLMENT

BY MIKE HACKETT

**E**mployers and PEOs have a great opportunity to help workforces reduce the top stressor in their lives: money.

Organizations are looking for opportunities to improve the overall well-being of employees. When employees feel less stress in their personal lives, they should be less distracted and more productive in the workplace. As summer comes to an end, many organizations are preparing for open enrollment and the annual task of

educating workforces on their benefits to help them make decisions that positively impact their mental, physical, and financial well-being.

Employee finances are impacted by many different benefit decisions. Given the stress most household budgets are under due to years of rising prices, organizations should consider highlighting how different benefits can positively impact financial well-being. Unfortunately, it can be overwhelming to receive education on too

many benefits during open enrollment. Therefore, it might help to highlight particular benefits through newsletters or other employee communication forums throughout the year.

With that as a backdrop, let's review 2023 survey data from a variety of sources pertaining to the financial well-being of U.S. households, starting with the American Psychological Association's annual study, "Stress in America 2023."<sup>1</sup> Here is a summary statement of why the majority of employees struggle to reduce stress in their lives:

"When it comes to stress management, many are struggling to cope and are bearing the burden alone. Around three in five adults (62%) said they don't talk about their stress overall because they don't want to burden others. Although finances are a top stressor, talking about them is off the table. In fact, only 52% of adults said they are comfortable talking with others about money/finances, and more than 45% said they feel embarrassed talking about money or their financial situation with others."

Organizations are in a great position to help employees cope with stress. When providing third-party resources that are professional, confidential, and unbiased, the odds are greater that employees will reach out for help. These resources are often already accessible through Employee Assistance Programs (EAPs), or services can be provided directly from financial well-being programs. Effective communications are a critical step toward helping employees recognize that services are available through their benefits programs.

Let's take a deeper dive into the financial well-being of U.S. workforces. When you view the headlines in the media, you read about inflation (or the costs of goods and services) dropping and the U.S. stock market hitting all-time highs. Everything must be looking up for the U.S. household! An annual study on the "Economic Well-Being of U.S. Households in 2023."<sup>2</sup> conducted by the Federal Reserve, paints a different story:

- 31% of adults said they were worse off financially than a year earlier.
- Financial well-being was generally unchanged from 2022 for most population segments. One notable exception was parents, who saw further large declines in the share doing at least okay.
  - Childcare costs made up a substantial share of the family budget for parents using paid childcare.
- Inflation continued to be the top financial concern, despite the inflation rate falling from the previous year.
- 45% of adults reported they reduced savings.

The last statistic on reduced savings is particularly concerning. Every day, there are news reports about a retirement savings crisis in America. Too many employees are having to tap into savings to balance their household budgets, resulting in a drop in the funding of their goals and aspirations. Something must give.

Many financial well-being experts will say that financial peace of mind is often the result of small behaviors and disciplines practiced over long periods of time. There is no silver bullet or quick fix to turning a household budget into positive monthly cash flow or increasing and sustaining contributions to retirement savings. It starts with financial education on budgeting and expense management. Here is an important data point from a recent survey taken by over 2,000 members of the My Secure Advantage financial well-being program:<sup>3</sup>

- When asked, “What is preventing you from growing your wealth?”, the responses were:
  - Knowledge/Don’t know where to start: 53%
  - I do not feel anything is preventing me from growing my wealth: 11%
  - Finding a financial professional I trust to work with: 10%

- Savings/Income: 8%
- Other: 8%

It is probably safe to say that the majority of employees not only “don’t know where to start” when it comes to growing their wealth, but also aren’t clear on the right first steps to take to address many other financial challenges. Given their hesitancy to reach out for help, financial well-being education could be the bridge that moves them to take action.

Here are three preliminary open enrollment actions that organizations should consider:

### **1. Ensure your financial well-being benefits communications focus on more than retirement savings programs**

Employees may want to contribute more to their employer-sponsored retirement savings program, but they can’t do so unless their household budget and spending plan are adjusted. Financial well-being program services should include one-on-one coaching for topics such as budgeting, debt management, and credit. Also, employees may have different learning styles, so consider surveying them and providing financial education in a range of formats (articles, classes, self-directed learning videos, etc.).

### **2. Consider communications and reinforcement of financial well-being benefits before and after open enrollment.**

Even after open enrollment meetings, many employees don’t understand the financial benefits of Health Savings Accounts and how to weigh these benefits against the budget implications of a high deductible health care plan. In much the same manner, employees may not take advantage of health or dependent care flexible spending accounts because they don’t

understand the benefits for their budget. Education on the financial implications of health benefit plans should be promoted throughout the year, not just at open enrollment.

### **3. Highlight, throughout the year, employee benefits that support overall well-being.**

Physical, mental, and financial well-being tend to influence one another. Promote these benefits together, especially when education is provided on Employee Assistance Programs. Also, employees who have working spouses might have access to two benefit programs, leading to confusion about the choice of benefits. Ensure you have a financial well-being program that offers coaches who can facilitate these broader conversations.

## THE BOTTOM LINE

Employees need financial well-being education year-round. When faced with a financial stressor, they need to first be aware that they have access to professional and unbiased resources through their employer-provided benefits. Then, if they take action, the benefit needs to help them address whatever financial stress is *their* top priority and then transition to other topics and needs as their confidence grows. Leaders who recognize the importance of financial well-being education can transform the financial health of their workforces. ■

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**MIKE HACKETT**

SVP, Financial Literacy  
My Secure Advantage, Inc.  
Roseville, CA

# ICHRAS: A NEW FRONTIER FOR PEOs

BY KEISHA NEWELL CLARK, MBA AND GORDON M. BERGER, ESQ.

**W**hy ICHRAs and why now? The tipping point with individual coverage health reimbursement arrangements (ICHRAs) has been building in recent years, largely due to rising costs of healthcare coverage and changing legislative guidance, which made the introduction of ICHRAs very attractive. In recent years, there has been a 36% increase<sup>1</sup> in individual health plans, largely due to the popularity of employers adopting ICHRAs as a means of providing health benefits to their employees. This trend reflects a shift in the way employers seek more flexible and cost-effective solutions.

ICHRAs were established in 2019 through regulations and related guidance from the U.S. Departments of Labor, Health and Human Services, and Treasury (84 Fed. Reg. 28888 [June 20, 2019]) as a new option for employers to offer group health benefits to employees. Because ICHRAs are a type of health reimbursement arrangement (HRA), they allow employers to set aside a specific amount of money each year to reimburse employees for their medical expenses, including premiums for individual health insurance plans purchased on the marketplace or directly from insurers.

In traditional group health insurance, the employer selects a specific health plan for all employees; however, with an ICHRA, the employee chooses their own individual health insurance plan from a range of options. This promotes more consumerism and choice in health plan coverage.

With ICHRAs, employers can offer different reimbursement amounts based on employee classes, such as full-time versus part-time employees or employees in different geographic locations. ICHRAs are designed to be a flexible cost-effective option for employers, as companies can control their healthcare costs by establishing a fixed reimbursement amount.

Additionally, ICHRAs are compliant with the Affordable Care Act (ACA) as long as certain requirements are met, such as offering coverage to all eligible employees on the same terms. Employers must comply with IRS regulations regarding ICHRAs, including offering the benefit to all eligible employees and providing the required notices. Failure to comply with these regulations could result in penalties. These penalties are generally related to regulatory noncompliance rather than direct financial liability for healthcare costs. Overall, ICHRAs provide employers

with a new way to offer health benefits, while providing employees with more choice, more flexibility, and potentially lower cost when selecting their health insurance coverage.



*In traditional group health insurance, the employer selects a specific health plan for all employees; however, with an ICHRA, the employee chooses their own individual health insurance plan from a range of options.*

But ICHRAs are not a one-size-fits-all solution and may not be right for everyone. They do require an additional layer of communication, so employees understand

the plan offering; and not all states or markets offer the same plan design options or price advantages. ICHRAs come with an additional layer of administrative responsibilities to ensure each carrier is paid appropriately. Managing an ICHRA can be administratively burdensome for employers, especially smaller ones, because it involves ensuring compliance with numerous regulations, handling reimbursements, and maintaining records. Additionally, there are also ACA compliance requirements that still exist, and the employer must adhere to the ACA employer mandate to meet its responsibilities.

ICHRAs are considered an ERISA-protected benefit, and employers must comply with ERISA's requirements

including reporting, disclosure, and fiduciary responsibilities. Compliance with ERISA helps ensure employees receive the benefits to which they are entitled, and their rights are protected under federal law.

Employers with ICHRAs have a financial responsibility by committing a fixed contribution amount for each employee. This can help them predict and control their healthcare costs. If healthcare costs exceed the contribution amount, employers are not responsible for covering the difference. Employees would be responsible for any additional costs. Employees can use the funds to pay for eligible medical expenses, including health insurance premiums. Any remaining balance at the end of

the year typically does not roll over. Employers do not bear financial liability for unused funds in an employee's ICHRA account.

PEOs offering an ICHRA have financial liability that is different compared to group health plans. They can ensure a premium is paid to the carrier in a timely fashion, but the liability lies with the individual. ICHRAs are contracts between the employee and the insurance carrier (not the employer or PEO). The employer or co-employer (PEO) has responsibility to ensure the contribution budget is available to the employee to pay for elected individual coverage but ultimately the insurance policy is owned by



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the employee, who has the responsibility to maintain their individual policies directly with the carrier.

The PEO and co-employer can focus on the design of the employer contributions given the employer's budget. They can support the employee to be educated consumers of their healthcare. Employees have ultimate choice and control to select coverage based on their individual needs for themselves and their families. ICRHAs address the consumerism trend to empower choice without tying the PEO to fiduciary responsibilities.

Opportunities are growing for PEOs to embrace alternative benefit options for co-employers. ICHRAs expand the

playing field by offering flexibility, increased consumerism, and portability of plan options. They also address many of the common challenges facing employers by providing cost control, plan compliance, and improved employee retention. PEOs include ICHRAs as part of a diversified product offering because they present several compelling benefits to group health plans. This expanding product is poised to add significant value and many employers are embracing the option as a strategic focus for long-term growth and stability. While ICHRA's do have additional administrative challenges and require some due diligence, they may not be the right fit for every

employer, but they may be worth exploring based on the individual needs of the company. ■

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**KEISHA NEWELL CLARK, MBA**

*Bavvy Product Leader & PEO Expert  
Milliman  
Omaha, NE*



**GORDON M. BERGER, ESQ.**

*Founding Partner  
Pierson Ferdinand LLP  
Greensboro, GA*

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**STEP INTO YOUR POWER**

# THE ROLE OF AN EXTERNAL ACCOUNTING AND AUDITING FIRM

BY JEAN GOLDSTEIN, CPA AND JESSE STUART, CPA

**T**he many compliance obligations for a PEO require partnering with an external or third-party accounting firm. The question is what exactly should an external accountant be responsible for? Let's explore the proper role of an external accountant within PEO operations from both a practitioner and internal operators' viewpoint. We'll discuss which tasks and responsibilities require third party engagement and offer best practices to choose, evaluate, and work with the right partner.

The external accounting firm assumes a multifaceted role, as firms will generally have a wide range of services to cater to a diverse set of needs. These services generally fall into a few categories.

## AUDIT AND ASSURANCE SERVICES

The most common types of engagements that fall into this category are 1) financial statement audits, 2) examination attestations, 3) agreed-upon-procedures, and 4) reviews. These types of engagements are usually performed to meet a business's third-party reporting

requirements (for a financial institution or for state licensing requirements).

## TAX SERVICES

This typically includes a variety of services ranging from 1) tax planning and strategy, 2) preparation of federal and state income tax returns, and 3) representing businesses in tax audits conducted by tax authorities and assisting with resolving disputes.

## CONSULTING AND TRANSACTIONAL SERVICES

This includes engagements such as 1) due diligence, 2) valuations, and 3) mergers and acquisitions.

The PEO industry has its own unique set of challenges when it comes to compliance. These may include the requirement of an annual financial statement audit for licensing purposes, specific state quarterly agreed-upon-procedures, or quarterly examination attestations for certified PEOs. In addition, there can be complex tax reporting requirements due to the number of states a PEO is required to file in.

These types or services are not all-encompassing and tend to evolve as a business grows. For example, in a company's early growth stage, the emphasis may be on the area of tax planning to optimize a business's tax strategies and take advantage of available deductions and credits and to minimize tax liabilities as the business grows. Conversely, a more mature business may place emphasis on capital structure optimization or mergers and acquisitions to sustain further growth and profitability. As businesses evolve and expand, their accounting needs become more complex, requiring a higher level of expertise and support from their external accounting firm. When selecting an external accounting firm, the ability to tailor and expand the services, if necessary, as the business grows may be an important consideration. In addition, utilizing an external accountant that offers a wide range of services can have certain advantages, particularly around implementing a holistic approach which can enable



better coordination and alignment of financial strategies.

While the initial reason for engaging an external accounting firm is usually out of necessity due to specific reporting requirements of a third party, I don't believe it should be one that is viewed in the lens of a commodity, but rather an opportunity to be a trusted advisor to a business. An effective and valuable external accountant can provide actionable insights, guidance, and expertise to help the business make informed decisions to help achieve their financial and strategic goals, while also ensuring the business meets its legal financial reporting and tax requirements.

Traditionally, an organization hires an external accounting/auditing firm to perform financial statement reviews and audits and preparation of multiple corporate tax filings. While these are

certainly needed for a PEO, the support required of an external accounting firm is so much more.

Deciding on a partner to help navigate the needs of your PEO is a critical decision and can be overwhelming. Once you determine what services are required or desired, it's time to pick a partner. In most cases, a PEO can choose the external accounting firm partner of their liking but sometimes an investor or board committee may dictate this relationship. In either case, it is helpful to choose one that is plugged into and advocates for the PEO industry including active membership and participation in NAPEO. The right partner must be able to provide PEO specific advice, guidance and best practices.

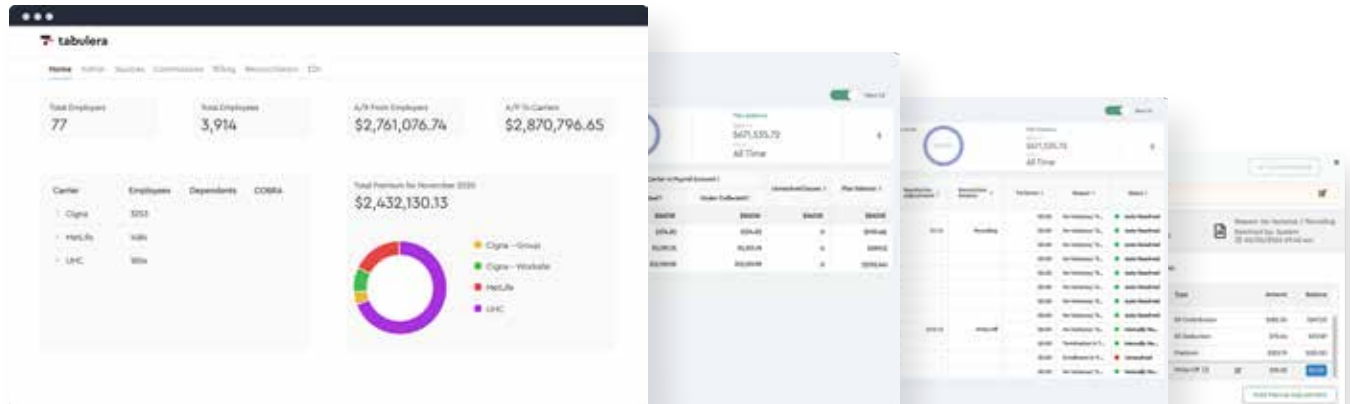
When you are ready to choose or change your external accounting/auditing partner, the following steps may be helpful:

1. Gather feedback from other PEO colleagues or strategic partners regarding their own solutions.
2. Have conversations with multiple prospective firms to gauge cultural fit.
3. Create a RFP that encompasses required services such as audit, tax return preparation, ESAC review, CPEO compliance, state tax attestations; entities; state presence; and requirement for on-site visits.
4. Decide in advance what is most important in a partner and analyze proposals received based on specific criteria. For example: pricing, cultural fit, availability based on deadlines (most PEOs have similar deadlines for audits and agreed upon procedures. It's important to ensure that your potential partner can fit a new client into that same timeframe.), and technology.



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Remember an external accountant that performs any assurance services (audit, tax attestations, ESAC agreed upon procedures, etc.) must maintain their independence which ensures objectivity and impartiality to the financial statement reader. Therefore, they may be unable to provide bookkeeping or other day-to-day support such as payroll tax filings and return preparations.

Once the partner is chosen, the following operational best practices will help nurture the relationship. You should understand the documents that will be provided by the external firm like an engagement letter and management letters. Also, be aware of deadlines imposed by your accounting firm that

are set to ensure you remain compliant with: state PEO registrations, ESAC, CPEO certification, IRS, state and local taxing authorities for annual tax filings, bank requirements, investors, and Board of Directors. Understand what is needed and be prepared when the accountants arrive. Use electronic portals for efficiency and data security. Review the relationship with your external accountant annually and consider an RFP every few years.

The external accounting partner can play a critical role in the success of a PEO's financial health and compliance. Their expertise ensures accurate financial reporting, adherence to regulatory requirements, and strategic decision-making. By selecting a PEO-centric partner, a PEO can

ensure they are leaning into industry standards and best practices from an original source. Following best practices in choosing and working with your PEO-centric external accountant will help you maximize success. ■



**JEAN GOLDSTEIN, CPA**

*Principal  
PEO Advisory Services, Inc.  
Nesconset, NY*



**JESSE STUART, CPA**

*Principal  
UHY, LLP  
Sterling Heights, MI*



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# NAVIGATING AI IN WORKERS' COMP: INSIGHTS FROM INDUSTRY EXPERTS

BY CHASE PETTUS

**N**othing seems untouched from AI these days. Even PEO risk management. Earlier this year, I had the privilege to join a panel at NAPEO's Risk Management Workshop on the growing influence of AI and how it impacts the world of PEO risk management.

I moderated the panel, "AI & Risk—The Role of AI in Insurance Underwriting," and was joined by industry experts: Frank Huang, Managing Director and Consulting Actuary, Davies Group North America; Julie Cirillo, Chief Risk Officer at Engage PEO, and Justin Rowley, Vice President Risk Management, Helpside.

The panelists provided a unique perspective of AI in the workers' comp industry, sharing their own experiences and insights. The engaging session revolved around key discussion points, including:

1. What is driving the use of AI for PEOs and in the Workers' Comp Market?

2. What challenges are companies trying to solve with AI?
3. What is the Impact of AI in Workers' Compensation?
4. What results have you seen since incorporating AI?
5. Why are some companies slow to implement AI as part of their operations?
6. What advice do the panelists have for those considering AI?

For those of you who missed the event, here are the main points and key takeaways.

## 1. WHAT IS DRIVING AI FOR PEOs AND IN THE WORKERS' COMP MARKET?

There are many reasons companies are motivated to use AI in insurance, including maintaining competitiveness to enhancing efficiency and addressing data limitations. Frank Huang of Davies Group North America,



*There are many reasons companies are motivated to use AI in insurance, including maintaining competitiveness to enhancing efficiency and addressing data limitations.*

highlighted profitability as a common driver. He noted, "The overarching theme is profitability. Not only are companies always looking to improve the bottom line, but they want to make sure they are not being adversely selected against. Essentially, incorporating AI helps them avoid being left behind."

## OPERATIONS & TECHNOLOGY

### 2. WHAT CHALLENGES ARE COMPANIES TRYING TO SOLVE WITH AI?

While Workers' Comp is still in a soft market, insurers face pricing pressure and struggle to assess risks accurately. Justin Rowley of Helpside noted that AI helped their company add certainty to the underwriting process, especially in scenarios where data was scarce or in unfamiliar territories. He said, "we wanted to add another piece of data to the model we already used, especially in states we weren't familiar with and for companies that didn't have loss information, such as start-ups. AI provided that additional data."

Julie Cirillo from Engage PEO echoed these sentiments, stressing the need for accurate risk prediction to support business expansion into new territories. She said, "As Engage PEO grew across the country and moved into new territories

or industries, we wanted to accurately predict the loss for each prospect so we can price accordingly. For example, California can be a challenging state for workers' compensation, and you had better have a tool that helps you understand the difference between underwriting a prospect in Los Angeles versus one in Sacramento."

### 3. WHAT IMPACT HAS AI HAD ON WORKERS' COMP?

AI has revolutionized claims management. It has facilitated better triage and proactive risk management. Frank Huang highlighted its role in identifying high-risk cases early on, to aid in better claims management and underwriting decisions.

"With AI, you could have 100 cases come in and you will be able to identify and triage the cases that are most likely to incur higher costs, result in potential

litigation, or involve greater claims management," said Huang. "AI models also impact claims because of the year-round and heavily manual processes that have historically been used to manage claims, aggravated by the turnover in experienced complex claims adjusters."

### 4. WHAT RESULTS HAVE YOU SEEN SINCE INCORPORATING AI?

Justin Rowley shared that AI has not only been helpful to Helpside in pricing new clients, but also in its renewal business. "The biggest impact AI has had on us, has been increased certainty in the underwriting process," said Rowley. "We still use loss runs and an actuarial model when possible. I have built a dashboard that allows me to see the actuarial predicted losses as well as the AI predicted losses and we make decisions from there."

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Rowley also noted that AI also provided greater insights into prospects with data gaps, enhancing underwriting efficiency.

Julie Cirillo noted that AI has allowed Engage PEO to build a sustainable underwriting model and support their M&A activities effectively. “I needed to know that regardless of which underwriter looked at the potential risk of a prospect, we would get consistent results,” said Cirillo. “This solution has assisted in integrating our acquired companies, allowing for fast and accurate review of both the portfolio and individual clients to ensure profitability is maintained with the transition to our risk-bearing program.”

## 5. WHY ARE SOME COMPANIES SLOW TO IMPLEMENT AI AS PART OF THEIR OPERATIONS?

Fear and lack of knowledge are key factors hindering AI adoption, according to Frank

Huang. The audience provided feedback on potential barriers as well, expressing concerns around cost and change to underwriting teams experience and habits. Julie Cirillo pointed out concerns about costs and changes to established workflows.

“An AI model may not seem cheap,” said Julie Cirillo. “But you have to trust in your investment. If I could show you the profitability for Engage PEO on the Workers’ Comp line, it is significant. And it is significantly improved year over year. I credit that to our AI model that we are selecting the right risk and pricing it correctly. The investment has paid for itself.”

## 6. WHAT ADVICE DO THE PANELISTS HAVE FOR THOSE CONSIDERING AI?

Frank Huang advised understanding the specific problems AI can solve, while Julie Cirillo stressed the importance of trusting the investment in AI for

long-term profitability. Justin Rowley emphasized that AI should complement, not replace, solid business practices.

“I think we all want to work towards better profitability,” said Justin Rowley. “But keep in mind, AI does not replace solid underwriting practices or business practices. Utilize AI to enhance these practices.”

In conclusion, the panelists agreed that AI presents a significant opportunity for PEOs in enhancing efficiency, profitability, and risk management. Embracing AI strategically can position PEOs for success in an increasingly competitive landscape. ■



### CHASE PETTUS

Vice President of Sales  
Gradient AI  
Boston, MA



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# MIND THE GAP: WHAT YOU'RE NOT OFFERING CAN HURT YOU

BY CELIA FLEISCHAKER

**I**n the world of HR, benefits and payroll, partners matter. In fact, finding a trusted partner is why the PEO industry is readying itself for rapid change. When Isolved surveyed HR leaders<sup>1</sup> working with PEOs, for example, over a third of them indicated they plan on switching their PEO provider this year. The top reason? They need a broader HR technology platform.

There's a gap that exists between what HR decision-makers expect today from the technology they have and what PEOs are currently offering. As such, clients are exploring their partner options to fulfill their top business needs, requiring PEOs to address critical gaps in their offerings. This is particularly true in the areas of strategic HR analytics, scalable platforms and secure human capital management (HCM) software.

## HR ANALYTICS: THE NEED FOR ACTIONABLE DATA

HR clients increasingly rely on robust analytics to make informed decisions.

Many PEOs, however, need to provide comprehensive analytics solutions. In Isolved's recent survey of ASO, PEO and PSPs<sup>2</sup>, less than 25% of these service bureaus indicated they offer essential solutions like benchmark insights, predictive analytics or artificial intelligence (AI) assisted tools. The lack of these solutions can leave clients feeling underserved. In fact, according to the survey above of HR decision-makers, HR analytics is their number-one investment area. And, when we asked those same leaders about the positive impact that AI can make on HR, 64% said AI could make HR more strategic. Long seen as a tactical cost center, HR clients could use a helping hand—and they clearly see AI and analytics as that support channel.

To bridge this gap, PEOs can offer integrated and intelligently connected analytic and AI insights, ensuring clients can access and leverage critical data to drive their business forward by making strategic decisions and enhancing overall HR effectiveness. Ultimately,

a single source of truth will enable HR clients to:

- Learn what matters to employees
- Predict the outcomes of changes in the employee experience
- Gain deeper insights, improve productivity and automate processes
- Demonstrate the real-world impact of HR strategies
- Translate the value of a positive employee experience into tangible business benefits

This comprehensive approach is crucial for PEOs to support their clients and drive business success effectively.

## SCALABLE PLATFORMS: GROWING WITH CLIENTS

Another significant gap is the scalability of platforms offered by PEOs. As even the smallest of clients grow, they require platforms that can seamlessly scale alongside them. In fact, what is most prevalent in HR decision-makers' minds today is how they'll grow tomorrow. Growth is a common theme

when it comes to HR leaders' expectations for the HCM technology and provider they're investing in. In fact, the number-one expectation for an HCM platform from HR leaders is support for organizational growth, followed by prioritizing continued innovation (according to the same HR decision-makers research study).

Many existing solutions lack the flexibility and integration capabilities to support this growth, leading to frustration and potential attrition. PEOs must prioritize investing in modular, intelligently connected platforms that can adapt to clients' evolving needs as they need them. This approach not only enhances client satisfaction but also fosters long-term partnerships. We see the most successful PEOs:

- Seeking platforms adaptable to various business sizes
- Prioritizing seamless integration of HR functions
- Choosing solutions offering plug-in-play modules
- Ensuring clients can adjust modules as their needs change
- Looking for platforms that integrate with existing systems
- Opting for solutions offering AI-based personalization
- Partnering with providers offering comprehensive support including peer and self-service learning

By investing in platforms that can scale alongside the business, small companies can avoid disruptions, maintain efficiency and focus on expanding their operations

without worrying about outgrowing their HR infrastructure.

### **SECURE HCM PARTNERSHIPS: ENSURING DATA PROTECTION**

Ensuring robust data security measures is critical for PEOs as they navigate the complexities of offering HCM solutions to their clients. By partnering with HCM providers that prioritize security and regularly update their protocols and processes, PEOs can safeguard sensitive client information and mitigate the risks of breaches and compliance issues. This proactive approach not only offers clients peace of mind but also demonstrates the PEO's commitment to protecting their data. Additionally, educating clients on security risks and encouraging the

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implementation of best practices further strengthens the PEO-client relationship and enhances trust.

Balancing cost savings with security considerations further demonstrates the importance of prioritizing data protection in today's landscape of increasing cyberthreats. By establishing administrative and physical safeguards, PEOs can empower their clients to navigate the evolving cybersecurity landscape with confidence, ensuring the safety and integrity of their employee and employer data while also addressing the concerns highlighted by HR leaders. And, it is a worry. According to the previously cited survey, 41% of HR leaders are concerned about being a victim of a data breach—this year.

Ensuring that technology partners prioritize security, conduct background checks and regular training for employees, and adhere to standards such as the National Institute of Standards Technology (NIST) cybersecurity framework are crucial steps in mitigating security risks and enhancing data protection.

The consequences of a security breach can be devastating, leading to financial losses, damage to reputation and even legal liabilities. By partnering with PEOs that prioritize data security and adhere to industry standards, small businesses can mitigate these risks and protect their sensitive information. This not only safeguards the company's assets but also builds trust with customers, employees and stakeholders.

## CLOSE THE GAP FOR COMPETITIVE ADVANTAGE

To remain competitive and keep clients, PEOs must address these critical gaps in HR analytics, platform scalability and data security. By enhancing their service offerings in these areas, PEOs will better meet the evolving needs of their HR clients, ensuring sustained strategy, scale, security and satisfaction. ■

- 1 <https://www.isolvedhcm.com/resource-center/collateral/champions-of-change>
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# PLAYING TEAM BALL

BY CASEY M. CLARK

**I** am a committed, life-long learner. It is one of the reasons I was so attracted to the opportunity to lead NAPEO—rolling my sleeves up and digging into a new and complex industry was an exciting proposition! There is plenty about our industry I am sure will continue to scratch the learning itch for a long time.

This love of learning is also why I love to travel and experience new cultures, and why I'm an avid reader of non-fiction, mostly biographies and fiction-like reporting on history. Admittedly, I had struggled to get into books on business and leadership until I read *The Captain Class* by Sam Walker. The book breaks down common traits of history's best sports teams.

Walker undertakes a risky task of identifying the "top 10 percent of the top one percent" of all sports teams and what common threads make them all successful. He conned me into devouring a leadership book!

Without giving away too much, a lot of the traits Walker identifies make successful associations, too.

## UNWAVERING STANDARDS AND RELENTLESS ADVOCATES

Walker emphasizes that exceptional teams are uncompromising about their identity.

NAPEO exists to protect and enhance enterprise value for our members, doing

for the PEO industry what each company couldn't do alone. When we're successful, it is because we've put all the pieces together and leveraged the heft of our industry from all our members. We see this time and again in state government affairs initiatives.

The captains highlighted by Walker are relentless advocates for their teams who fiercely defend their interests and drive positive outcomes.

At NAPEO, we are our industry's leading advocate. We defend against bad policy, proactively shape better policy and business environments for PEOs, and enhance an understanding of the value PEOs bring to small businesses.

## COLLABORATIVE EXCELLENCE

Walker underscores the importance of collaboration and teamwork among leaders and their teams. At NAPEO, one of our core strengths is serving as a strong convener. We prioritize collaboration as a catalyst for industry advancement, harnessing our collective expertise to address challenges and capitalize on opportunities.

This collaborative approach not only strengthens our association but also propels the entire PEO industry forward.

## INNOVATIVE LEADERSHIP

Innovation is a cornerstone of effective leadership. As the businesses we serve evolve and regulatory landscapes shift,

PEOs must identify new ways of going to market. Our associate members also must identify new ways to serve PEOs, and NAPEO has to continue to consider how best to serve our maturing industry.

This is why we've emphasized the need to broaden the community of experts from within our membership. We are blessed with strong, established and committed professionals who dedicate a lot of time and expertise to NAPEO. Even more impressive is that each of them recognizes the need to diversify the contributions to our association by new leaders from their businesses and across the industry.

To remain successful, we must continue to embrace change by adopting innovative practices to stay ahead. Building relationships with policy influencers who support PEOs and their small business constituents is important, too, especially in this tumultuous political year and will be more important than ever heading into next year's tax fight.

## COMMUNICATION AND INFLUENCE

Walker's list of captains are adept communicators who inspire their teams and rally support through clear and persuasive dialogue. Likewise, at NAPEO, we prioritize effective communication to connect with members, policymakers and the business community. Importantly, we leverage strategic communication to articulate our value proposition, effectively and efficiently engage stakeholders, and mobilize support for our shared imperatives.

*The Captain Class* is a great read with practical leadership lessons, but I'm not responsible if your favorite teams didn't make the cut! Walker's principles of what makes a great team align with what makes NAPEO most successful, too. When our industry comes together as a team, we're tough to beat. ■



**CASEY M. CLARK**

President & CEO  
NAPEO  
Alexandria, VA



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