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THIS MONTH'S FOCUS

HR TECHNOLOGY

COVER STORY

WRITING SIMPLOY'S NEXT CHAPTER

Jay King and Carson King

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PREDICTIONS FOR 2025

BY DAVID FEINBERG

December is the perfect time to reflect and take stock of where we are as an industry, as well as where we want to go in the year ahead.

We achieved a lot in 2024. A few highlights: We passed legislation in Ohio and Kansas codifying the ability for a PEO to offer large group health plans to our customers' WSEs. We defeated proposed legislation in Oregon that would have eliminated the co-employment model in the state. And, we were able to get PEO clarification language in Delaware for both the state retirement program and the paid family leave program.

We also showed remarkable resilience as an industry. Just to name a few of the hurdles we faced: We were challenged by ERTC relief payout delays, hindering our SMB customers. We navigated the fact that the IRS continues to hold the position that PEOs are liable for any inappropriately claimed payroll tax credits. And, we continued to face a roadblock in Oregon with regard to PEO recognition in the paid family leave program, causing some small businesses to be treated differently simply because they partner with a PEO.

But, what might the year ahead look like? Here are my predictions for 2025.

Industry consolidation will continue and we will need to adapt accordingly. Private equity investment has accelerated in our industry, which we should all be pleased by. It validates the value and importance of the work we do to serve our small business customers, and the fact that many members of this industry are entrepreneurs in their own right who have built impressive businesses. However, with this investment, we have also seen an acceleration in M&A, which is creating a revenue headwind for NAPEO despite the growth of our industry. I predict that this trend will continue, and the industry will need to address this negative revenue pressure. We will need to work together to match the needs we all have of NAPEO with a revenue model that is capable of sustaining the association's positive impact for the long term.

We will double down in our focus on pushing PEO priorities when it comes to the 2025 tax negotiations. Our priorities for tax reform include: ensuring payroll tax credit liability remains with our clients, modernizing of aggregate taxpayer processing, and moving Treasury guidance on PEO clients being eligible for Section 199A into statute. We will continue working across the aisle to request provisions and tax credits which benefit small businesses.

We will see (and drive) continued emphasis on moving toward PEO recognition at the state level. This is something we have faced as an industry for quite some time, and to ground our industry position, we need to focus our efforts on moving toward PEO recognition in California, as well as strengthening the statute in Georgia. Just like we pushed for large group plan-focused legislation in Ohio and Kansas this year, we will now do the same in Maryland. I see this being a major focus in 2025.

Of course, we will need to stay nimble and adaptive with a new administration coming in, and the inevitable ebbs and flows of the small business economy.

There's a lot of work to be done next year, and these three predictions are informed by our board meeting, which was held back in November. We learned a lot from each other, and our shared focus for the year ahead is clear. Of course, we will need to stay nimble and adaptive with a new administration coming in, and the inevitable ebbs and flows of the small business economy. But, if we can look back this time next year on accomplishments in each of these three areas—the future for our industry, and the small businesses we serve, will be brighter than ever. ■

DAVID FEINBERG

2024–2025 NAPEO Chair
SVP of Risk & Insurance
Justworks

CONGRATULATIONS

G&A PARTNERS NAMED TO MOUNTAINWEST CAPITAL NETWORK'S 2024 UTAH 100

NAPEO member G&A Partners recently announced that it has been ranked No. 27 on MountainWest Capital Network (MWCN)'s Utah 100 list, marking G&A's ninth time to be recognized as one of the fastest-growing companies in Utah. "I am so proud of our Utah team as well as the other 700 amazing people at G&A all over the country," said Aaron Call, G&A Partners' chief operating officer. "I feel honored every day to call them coworkers and friends. This kind of recognition by MWCN exemplifies the truest form of teamwork, and I couldn't be more thrilled to share this honor with our great team at G&A and with our loyal clients."

KUDOS

VENSURE CISO DWAYNE SMITH WINS TOP GLOBAL CISO AWARD

Vensure Employer Solutions recently announced that the company's Chief Information Security Officer, Dwayne Smith, has been named a winner in the Top Global CISOs Award for 2024, sponsored annually by Cyber Defense Magazine. This win marks the second consecutive year that Smith has appeared on the exclusive Top Global CISO list. "We are thrilled to see Dwayne Smith recognized again for his excellent work as our leading cyber defender. In the HR technology business, protecting the personal data of millions of employees and tens of thousands of businesses worldwide is paramount. Dwayne takes that challenge to heart and is deservedly recognized for his dedication to information security," said Alex Campos, CEO of Vensure Employer Solutions.

WELL DESERVED

THRIVE PEO CELEBRATED AS TULSA'S TOP HR OUTSOURCING FIRM FOR FOURTH CONSECUTIVE YEAR

NAPEO member Thrive PEO was recognized as Tulsa's best human resources outsourcing company at Tulsa World's Best in the World Awards. This honor marks the fourth consecutive year that Thrive PEO has received this accolade, underscoring its continued excellence in client support and the breadth of services offered to Tulsa's SMB community. "Receiving this award for the fourth year in a row is a profound honor and a reflection of the tireless dedication of our team," said Jon Scoggins, co-founder and CEO of Thrive PEO. "Our goal has always been to provide exceptional HR solutions that drive significant value for our local business partners. We are deeply grateful to the community for their ongoing support."

IN MEMORIAM

FORMER NAPEO BOARD PRESIDENT BYRON MCCURDY PASSES AWAY

On November 9, 2024, former NAPEO Board President Byron G. McCurdy passed away at his home in Twin Falls, Idaho. McCurdy led NAPEO's board of directors during the 1998–1999 leadership term. He founded Aspen Consulting Group, Inc. in the 1980s and grew the company into a successful PEO. He played an active role in NAPEO's government affairs initiatives and led the accounting practices committee for several years. He and his committee colleagues were instrumental in developing standardized accounting formats and financial ratios for PEOs. We appreciate all his contributions to shaping our industry. He will be missed.

NICE WORK

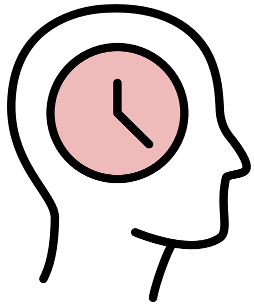
STRATUS HR EARNS UTAH TOP WORKPLACES AWARD FOR FIFTH CONSECUTIVE YEAR

NAPEO member Stratus HR announced recently that it has been recognized as a Utah Top Workplace by The Salt Lake Tribune, underscoring the company's commitment to creating an environment where employees feel valued, engaged and inspired to do their best work. "Winning the Utah Top Workplaces award for the fifth year in a row is an incredible honor for us," said John Farnsworth, CEO and co-owner of Stratus HR. "We've always believed that the strength of Stratus HR lies in our people. From day one, we've focused on fostering a culture where everyone feels heard, supported and challenged to grow. That's why this recognition means so much. It's proof that our team feels the difference we strive to make every day."

M&A NEWS

PRESTIGEPEO ACQUIRES TEAMWORK SERVICES

NAPEO member PrestigePEO recently announced its acquisition of Teamwork Services, a PEO based in Brunswick, Georgia. This acquisition will allow PrestigePEO to extend its market reach in the southeastern United States, strengthening its mission to empower SMBs with the tools they need to scale and succeed in a competitive landscape. "Bringing Teamwork Services into the PrestigePEO family represents an incredible opportunity to enhance our service delivery and expand our reach," said Andy Lubash, CEO of PrestigePEO. "Our shared commitment to providing premium benefits and personalized service will enable us to make a meaningful difference for businesses and broker partners across the Southeast, helping them grow and thrive in an evolving marketplace."



RESEARCH

EMPLOYEES WANT TO RETHINK THE 40 HOUR WEEK

In FlexJobs' recent 2024 Workforce Wellness Report, the majority of workers (70%) said that companies should reconsider the 40-hour workweek. The survey also found 28% experience daily pressure to overwork, with another 30% stating they feel pressured at least weekly (12%) or a few times a month (18%). Amid growing debates on remote work and changing workplace dynamics, FlexJobs conducted the survey of over 3,000 U.S. professionals to gain greater insight into the experiences of today's workforce.

Key takeaways:

- 70% say the 40-hour workweek needs to be reconsidered, and only 11% prefer to keep the standard, five-day workweek in place
- 89% favor flexible working arrangements like four-day workweeks
- Excessive workloads (34%) and toxic bosses (31%) are the top stressors at work
- 72% have had difficulty sleeping, 54% turned to comfort eating or unhealthy snacking and 48% have shown irritability due to work stress

HR INSIGHTS

POLITICAL TENSIONS IN THE WORKPLACE TOP OF MIND FOR EMPLOYEES

Perhaps unsurprisingly, a large majority, 66%, of employees admit to lying about their political beliefs. Nearly half, 41%, do so because they fear negative consequences from their company, manager or colleagues. Zety's new Politics at Work Report polled more than 1,000 U.S.-based workers and discovered that these conversations are not only highly prevalent but are also creating significant discomfort, especially for younger and entry-level employees. Key findings include:

- 92% of workers engage in political discussions in the workplace.
- The two most common political topics discussed at work are gender equality (44%) and racial equality (43%).
- 73% of remote workers think companies should ban political discussions, compared to 41% of onsite workers.
- 75% of workers are considering looking for a new employer due to the current political environment in their workplace. ■

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THE TECHNOLOGY REVOLUTION IN INSURANCE

BEYOND TRADITIONAL PEO SERVICES: DEEPENING VALUE THROUGH STRATEGIC INNOVATION

BY CARRIE CHERVENY, ESQ. AND JEN MARTINEZ

In an era of increased regulatory oversight and fierce competition, the role of PEOs in America's small and mid-sized business landscape has never been more vital. Through economies of scale and deep expertise, PEOs deliver critical infrastructure, talent and resources that would otherwise be unattainable for most organizations. This unique position provides clients access to Fortune 500 benefits, technology platforms and compliance expertise. Through these enterprise-level resources, even the smallest businesses can attract and retain top talent, navigate an ever-evolving regulatory landscape and focus on their core mission.

DEEPENING THE PEO VALUE PROPOSITION

The foundational strength of PEOs lies in their ability to serve as strategic partners, not merely transactional service providers. This value proposition has become more pronounced in recent years as employers grapple with supporting their employees' personal and financial wellness. Amidst the challenges of inflation, rising insurance costs and economic uncertainty, employee financial wellbeing has emerged as a key driver of retention. The issues facing employees, and their employers, are multifaceted and require a holistic approach. To stay competitive, PEOs must continue to deepen their offerings to address these varying and complex issues.

INNOVATION THROUGH STRATEGIC PARTNERSHIPS

One prime example of how PEOs can deepen their impact is the integration of personalized insurance offerings. While not a new concept in the industry, advances in technology are creating innovative ways to provide immediate impact to employee financial wellness through insurance.

Historically, many PEOs offered worksite employees access to discounts on personal lines insurance products. Generally, the offer was made through single or a select few carriers. Thanks to evolving digital platforms, a PEO can provide more robust and impactful solutions to worksite employees.

By leveraging a partnership with a digital personal insurance broker, PEOs can offer access to a comprehensive insurance marketplace, featuring multiple carriers, competitive rates and, most importantly, personalized guidance from licensed experts. This combination of technology and human expertise empowers individuals to make more informed decisions about their insurance needs. Securing adequate insurance coverage can be a strategic financial move that not only protects valuable assets like homes and cars but may also save money in the long run.

Finding the right personal insurance coverage can be a daunting task for most people. Many lack the expertise or bandwidth to properly assess their individual needs. As extreme weather events become more frequent, having appropriate insurance coverage is critical to avoiding devastating financial consequences, as we've seen with recent flooding in areas impacted by Hurricane Helene. Access to the expert guidance of a personal insurance broker is essential for helping employees navigate this evolving landscape and protecting their financial futures.

Through digital platforms, employees can quickly compare options and manage their policies with ease, while gaining access to a wider range of coverage options and carrier choices than traditionally available. Licensed advisors serve as trusted guides, offering unbiased and personalized recommendations based on each employee's unique situation and needs. Perhaps most importantly, integration with existing benefits platforms creates a seamless user experience, allowing employees to manage all their insurance needs in one

ILLUSTRATION ADOBE STOCK/MARCOVECTOR

By leveraging a partnership with a digital personal insurance broker, PEOs can offer access to a comprehensive insurance marketplace, featuring multiple carriers, competitive rates and, most importantly, personalized guidance from licensed experts.

place. This comprehensive approach transforms what can be an overwhelming process into a straightforward, guided experience that helps employees make informed decisions about their personal insurance needs.

ADDRESSING CRITICAL FINANCIAL WELLNESS CHALLENGES

The timing for enhanced financial wellness solutions couldn't be more critical. Recent economic trends have heightened employee anxiety around financial security, with personal insurance costs becoming an increasingly significant burden. Auto insurance premiums have surged 22% in 2024, while home insurance rates have climbed as much as 23%. Federal Reserve data shows concerning gaps in insurance coverage, particularly among lower-income homeowners and those in high-risk regions.

The impact of these financial pressures extends into workplace stability. A 2023 survey shows that 60% of workers report feeling stressed about their financial situation, leading to decreased productivity and increased likelihood of seeking new employment. This financial strain, combined with persistent talent acquisition challenges — where 35% of small businesses report difficulty filling vacancies — creates a complex challenge for employers.

The talent retention landscape is equally concerning. Beyond the well-documented costs of turnover, which can range from 50% to 200% of an employee's salary, companies are struggling to maintain institutional knowledge and team cohesion.

In today's volatile economic environment, helping employees understand and manage their personal risk exposure is critical to their overall financial wellness. PEOs are uniquely positioned to deliver these services seamlessly as part of their broader benefits and HR offerings.

IMPLEMENTING ENHANCED SERVICES

While the benefits are clear, successfully implementing a deepened service capability, such as access to a personal insurance marketplace, requires careful evaluation to ensure alignment with existing operations and client needs. Key factors to consider when exploring partnerships include the ability to provide regulatory compliance across multiple jurisdictions, data security and privacy requirements, existing workforce management systems and resource allocation for employee support and education.

THE PATH FORWARD

As the economic landscape continues to evolve, the value proposition of PEOs will only grow stronger. By combining their traditional strengths in HR, benefits and compliance with innovative financial wellness solutions, PEOs can help clients navigate increasingly complex challenges while driving employee satisfaction and retention.

The integration of personalized insurance solutions demonstrates one way PEOs can leverage their unique position to deliver enhanced value to clients and their employees. For PEO leaders, the question isn't whether to expand your service offerings, but how to do so most effectively. Those who continue to look deeper will be well-positioned to capture additional market share while helping their clients build more resilient workforces. ■

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HOW TECHNOLOGY IS REIMAGINING WORKERS' COMPENSATION INSURANCE

BY RAJESH GURUMOORHTY

PEOs manage about four million worksite employees in the US, and the top 10 insure 60% of the market.[1]

For decades, PEOs have been helping businesses navigate several workers' compensation challenges, including complex claims processing and developing safety protocols. Yet, as workplace demands and risks evolve, so must the strategies and tools they use to address them.

Workers' compensation is no longer simply about compliance or settling claims—it's about proactively protecting and supporting the workforce.

Today, the infusion of technology in workers' compensation is revolutionizing how PEOs serve their clients. In an industry where speed, accuracy, and a human-centered approach are important, technology keeps PEOs ahead of the competition.

Let's explore the impact of tech in reshaping workers' compensation and how PEOs can harness these innovations to improve their services.

ENHANCED RISK ASSESSMENT THROUGH DIGITIZED UNDERWRITING

Traditionally, underwriting was a time-consuming process that was prone to manual errors. The data collection methods were also often outdated. Decisions could take weeks, frustrating the customer and slowing the insurance workflow. Relying on limited historical data and manual calculations also meant risk assessment was inconsistent.

However, the industry has come a long way from manual risk assessment. Advanced machine learning algorithms analyze vast amounts of data instantly to identify risk factors more precisely. This has drastically improved underwriting and pricing accuracy.

Digitized underwriting has also enabled organizations to generate instant quotes for new businesses that need workers' compensation coverage.

According to a McKinsey report, leading insurers saw retention in profitable segments increase 5 to 10 percent, thanks to digitized underwriting.[2]

FRAUDULENT CLAIM DETECTION

Research by the National Insurance Crime Bureau shows that workers' comp

In an industry where speed, accuracy, and a human-centered approach are important, technology keeps PEOs ahead of the competition.

insurance fraud costs an estimated $30 billion annually in the US.[3]

Data analytics models can help PEOs identify red flags associated with fraud. The tech can identify multiple claims for the same incident or claims with inconsistent information. PEOs can pay close attention to these claims and assess their legitimacy.

PEOs who specialize in helping the trucking industry can use telematics to find out if the accident happened on the job.

Vehicles equipped with telematic sensors send immediate alerts to a PEO when accidents occur. They provide crash data such as time, speed, route, or location. This information can be useful in predicting whether a driver is injured and how bad the injury is, so that they can identify who was at fault.

IMPROVED WORKPLACE SAFETY AND INJURY PREVENTION

Workplace safety is a growing concern for many PEOs. Fortunately, tech can help them combat their concerns and develop strong safety programs. Some notable innovations in this area include:

Wearable tech that keeps tabs on employees' real-time physical condition. They alert the employee about bad posture or movements that might result in an injury.

AI-powered video surveillance that scans hundreds of hours of workplace video to identify potential risks based on patterns it recognizes.

Predictive analytics models that use past claims and injury data to predict future outcomes. PEOs can use this information to help the business create a safety program

WORKERS' COMP INSURETECH: A BOON FOR PEOS

In a soft workers' comp insurance market where the competition is high, PEOs have to be tech-savvy to make a mark in the industry.

PEOs can provide more efficient and accurate services to their clients, reduce costs, and ultimately improve employee experience with the right insuretech solutions. As the industry moves forward, it is clear that technology will play a pivotal role in shaping the future of workers' compensation. ■

1 https://www.insurancebusinessmag.com/us/news/workers-comp/labor-shifts-driving-new-challenges-for-the-peo-sector-482769.aspx
2 https://www.mckinsey.com/industries/financial-services/our-insights/how-data-and-analytics-are-redefining-excellence-in-p-and-c-underwriting
3 https://fortunly.com/statistics/insurance-fraud-statistics/#gref

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RISKS AND OPPORTUNITIES

BIG DATA

COMPREHENSIVE CONSUMER PRIVACY LAWS: A GROWING CHALLENGE FOR PEOS

BY USAMA KAHF, ESQ. AND KILE MARKS, ESQ.

Comprehensive consumer privacy laws are rapidly expanding across the United States, significantly impacting PEOs. Currently, 19 states have enacted privacy laws, with 8 already in effect and 11 set to take effect between January 2025 and January 2026. Here, we breakdown what PEOs need to know about thresholds for applicability and practical steps for compliance.

KEY PRIVACY PRINCIPLES FOR PEOS TO KEEP IN MIND

These consumer privacy laws share several core principles:

1. **Transparency:** Companies must be transparent about how they collect, use, and share consumer data.
2. **Control:** Consumers should have control over their personal data, including the ability to access, correct, and delete it.
3. **Proportionality and Data Minimization:** Companies should only collect and retain the minimum amount of data necessary to fulfill specific purposes.

HOW PEOS DETERMINE APPLICABILITY

To determine whether a PEO is subject to a specific state's privacy law, several factors are considered:

Doing Business: A PEO may be doing business in a state if it has a physical presence, worksite employees, or actively targets customers in the state.

Consumer Data Thresholds: Most states have thresholds for the law to apply based on the number of consumers whose data is processed. These thresholds vary but can be easily exceeded, even with relatively low website traffic. California has a unique revenue-based threshold, meaning if your company made over $25 million in gross revenue from anywhere in the world in the last calendar year, your PEO meets the threshold.

UNDERSTANDING EXEMPTIONS AND THE "CONSUMER" DEFINITION

Certain types of data and entities may be exempt from privacy law requirements. These exemptions typically relate to data regulated by

specific federal laws, such as the Gramm-Leach-Bliley Act (GLBA), HIPAA, or FCRA.

The definition of "consumer" varies by state, but generally includes residents of the state acting in an individual or household capacity. Notably, California's definition extends to employees of PEO customers and their dependents.

PRIORITIZING COMPLIANCE

To effectively manage privacy compliance, PEOs should prioritize the following areas:

1. **Transparency:** Develop clear privacy policies and communicate them to consumers and worksite employees.
2. **Control:** Implement robust data subject rights processes, including the ability to access, correct, and delete data.
3. **Proportionality and Data Minimization:** Conduct regular data audits to identify and eliminate unnecessary data collection and retention practices.

As the privacy landscape continues to evolve, PEOs must stay informed and adapt their practices to ensure compliance with these increasingly stringent regulations.

UNDERSTANDING STATE SPECIFIC REQUIREMENTS

While many consumer privacy laws share common requirements, several states have unique provisions. For instance, California's law extends to worksite employees, employees, job applicants, independent contractors, and business-to-business contacts. Additionally, proposed draft regulations in Colorado may impose restrictions on the collection of biometric information from employees.

Beyond comprehensive consumer privacy laws, other laws pose significant risks. In California, over 1,100 lawsuits have been filed since June 2022, alleging violations of the California Invasion of Privacy Act (CIPA) due to the sharing of user data with third parties through cookies and tracking technologies. Similarly, the federal Video Privacy Protection Act (VPPA) protects video viewing history, potentially impacting the use of embedded video platforms like YouTube and Vimeo. Illinois' Biometric Information Privacy Act (BIPA) has also been a source of significant litigation over the years.

PRACTICAL STEPS FOR COMPLIANCE

The adage "you can't protect what you don't know you have" is particularly relevant to data privacy. Creating comprehensive data asset inventory can provide valuable insights into your organization's data collection and usage practices.

A well-crafted privacy policy is essential for both legal compliance and customer trust. It should clearly communicate your data practices, going beyond the bare minimum requirements of consumer privacy laws.

A data retention policy is crucial for complying with data minimization principles and managing consumer expectations. It should outline clear guidelines for data retention and deletion.

Implementing a robust process for handling consumer rights requests is essential. This process should be accessible to all consumers, including those who may not have regular computer access.

PROACTIVE ACTION IS KEY

If you're uncertain about the applicability of consumer privacy laws to your PEO and your customers, take the initiative to assess your exposure. By understanding your obligations and taking proactive steps to comply, you can mitigate risks and protect your business. ■

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.

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AI DEPLOYMENT IN BENEFITS AND INSURANCE: A ROADMAP FOR PEOS

BY FRANK BIANCHI

As we approach 2025, the industry must recognize the urgency for AI adoption. With a growing base of tech-savvy customers, software firms, PEOs, brokers, HR technology companies, data providers, carriers, and other providers will soon be expected to integrate AI into their service models. AI capabilities will likely become a key differentiator in open enrollment or contract year evaluations for RFPs and renewals. The rise of generative AI, powered by large language models (LLMs), will continue to revolutionize the benefits and insurance experience for customers, employees, and third parties across the value chain.

LLMs, like ChatGPT, are advanced AI algorithms that use neural network techniques to comprehend language and text. These models are widely used for content generation, image creation, machine translation, and chatbots.

Today, AI can streamline operations, enhance talent acquisition, transform enrollment and onboarding processes, elevate customer experience, and provide firms with actionable insights.

However, firms often face challenges in accelerating AI adoption while managing day-to-day production, resource spikes during open enrollment, year-end reporting, tax planning, and compliance activities.

Many firms adopt a use-case approach to demonstrate the value of AI, select tools, and build momentum within the enterprise. While this approach remains relevant, the competitive landscape now demands a strategic approach to enterprise AI deployment. Companies are increasingly leveraging AI to deliver more intuitive and effective user experiences as applications become more sophisticated. So, where should a PEO begin, and how should they build an AI roadmap? Here are some insights and tips for planning your AI journey.

AI AS A CONTENT GENERATOR

In our experience, the most effective use cases for AI often start in areas where both front and back-office functions can be transformed through AI-driven content generation. Many firms begin their AI journey with recruiting, marketing, and finance to generate digital and video content, financial reports, and proposals. For example, AI can create marketing collateral detailing various benefit and insurance plans, providing insights on coverage and costs. AI can also personalize content for target prospects, making benefit and insurance plans more relevant to their specific industries.

Starting with content generation and back-office functions builds confidence in AI technology with minimal risk to customer engagement. However, the potential of AI extends far beyond these initial steps, enhancing the customer experience across the entire value chain. To create a strategic roadmap for 2025, firms need to embrace AI in interactive transactions that transform decision-making, problem-solving, and customer service.

AI FOR DATA INGESTION

AI can provide organizations with critical insights into risk areas, new sales opportunities, and customer retention improvements. Generative AI and LLM features are integrated with core applications, data lakes, and digital technologies to enhance customer experience. AI can ingest data from both structured and unstructured sources, digitizing it for processing, decision making, and analytics.

Use cases include ingesting insurance applications and carrier loss-runs for commercial insurance, eliminating manual data entry. Other repeatable forms or documents such as contracts, resumes, plan documents, and claims are also candidates for AI ingestion, driving process transformation. Once digitized, the data is available for transaction processing, scoring for recruiting, triaging risk, underwriting, or ensuring compliance.

AI AS A VIRTUAL AGENT

Adoption of virtual agents and chatbots leveraging LLM capabilities is increasing. Chatbot capabilities have expanded to better interpret user inquiries and improve their ability to meet user needs, allowing call center agents to focus on more complex scenarios. AI also reduces call duration by generating checklists, presenting call history, triggering follow-up tasks, and generating call summaries with actionable next steps. Firms have adopted AI for both chatbots, and live agent use cases, providing a cost-effective service option.

AI FOR DECISION SUPPORT

Integrating AI into core applications will have the most significant impact on a firm's ability to grow revenue while delivering services at a lower cost. Early adopters will gain a competitive edge by using AI, automation, and analytics to empower knowledge workers, making them more productive and focused on complex cases. Enrollment, onboarding, submissions, underwriting, claims, and renewals are all transactions that can benefit from AI's aggregation, mining, and actionable insights. Every major business transaction will eventually be a candidate for enhancement with AI.

AI AS THE CYBER DEFENDER

Using AI-based solutions for cyber defense is already a best practice. With proven ingestion, pattern recognition, and machine learning capabilities, top cyber vulnerability management and penetration testing solutions use AI to identify patterns of cyber intrusion, prevent or contain breaches, analyze vulnerabilities, and highlight exploitable risks. At Quess GTS, our cyber mitigation solutions incorporate proven AI-based solutions, to monitor and prevent cyber intrusion in our 24/7 x 365 Global Operating Center.

AI ACCELERATION

We take a vendor-agnostic approach to AI tools so that we may recommend solutions that best align with your operations, technology stack, and business objectives. Important considerations include your office tools and cloud technologies (such as Microsoft Azure, M365, Co-Pilot or Google Cloud, Gmail/Google Docs, Domino). For these collaboration suites, AI is deployed to maximize productivity for your staff for presentations, proposals, spreadsheets, and document management. These technologies must operate seamlessly with core transaction and customer centric applications.

For custom solutions, we build production-ready applications in 90-day releases following an AI roadmap developed from collaborative discovery and visioning sessions. Whether you are focusing on an initial use case or deploying AI across the enterprise, these roadmaps enable firms of any size to harness the potential of AI while ensuring trusted data usage and secure technical guardrails. As you finalize your 2025 plans, consider a more aggressive approach to AI deployment and adoption, and enjoy the benefits! ■

FRANK BIANCHI

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MODER

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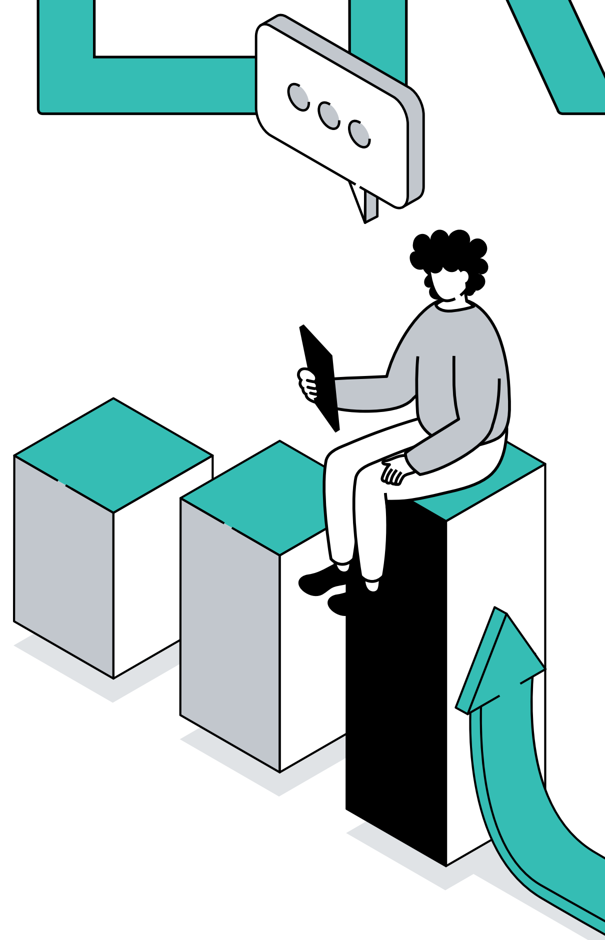

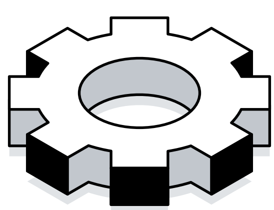

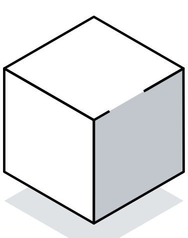

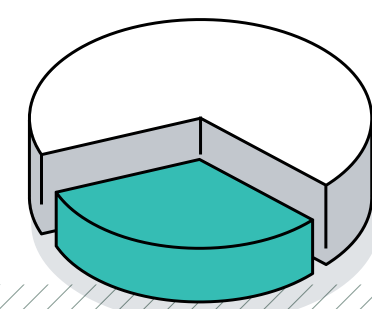


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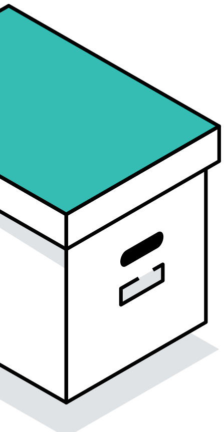


USING TECHNOLOGY SOLUTIONS TO ADDRESS KEY HR OPPORTUNITIES IN 2025 AND BEYOND

BY EVELINA DERNING

As small and medium-size businesses (SMBs) prepare for 2025, they face a host of HR-related opportunities to strengthen their operations and bottom line. These include hiring and retaining employees, managing higher operating costs such as wages and benefits, determining how to incorporate artificial intelligence and other aspects of an accelerated digital transformation, navigating an uncertain regulatory, compliance, and tax environment most effectively in a post-election year, and more.

The right solution for supporting the HR needs of SMBs combines innovative technology with real intelligence from HR experts. In this article, we'll explore how bringing together the right HR technology and professionals can help to streamline recruitment and improve retention efforts, optimize operational efficiency, and make strategic, data-driven decisions.

STREAMLINING HIRING

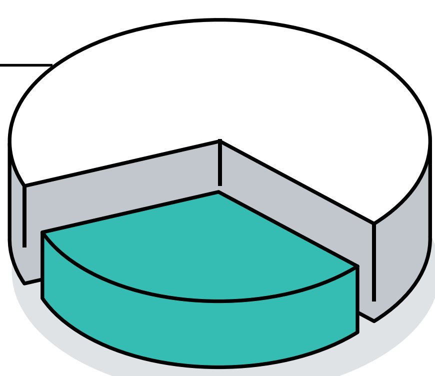
Recruitment and retention issues remain a primary area of focus for many employers. According to SHRM's 2024 Talent Trends report, 3 in 4 organizations reported difficulty recruiting for full-time regular positions in the last 12 months. This trend likely will continue in the year ahead.

Factors contributing to this challenging labor market include a smaller applicant pool following the COVID-19 pandemic and ensuing "Great Resignation," generational changes in the workforce, the growth of remote work, and evolving needs of employers for specific skills. As a result, employees' attitudes and expectations have shifted in recent years. Employees are becoming more selective in their job searches, prioritizing flexibility, well-being, and work-life balance.

One tool that PEOs can use to address the hiring hurdle, an applicant tracking system (ATS), can enhance the recruitment process in many ways, from job posting through hiring.

Using an ATS, SMBs can create customized career portals that reflect their unique brand identity and integrate with other major job boards such as LinkedIn. An ATS enables hiring professionals to easily stay in touch with candidates via email or SMS text messaging to keep them engaged throughout the hiring process. The system also provides an alert when clients open a new job or fill a position. Streamlining hiring can improve the candidate experience while contributing to building a positive brand sentiment with those new employees.

3 in 4 organizations reported difficulty recruiting for full-time regular positions in the last 12 months



IMPROVING RETENTION

In addition to recruiting the right employees, today's businesses also must prioritize retaining these employees. SHRM indicates that nearly half of organizations reported difficulty retaining employees in the last 12 months, with pay being the largest reason for employees' departures.

Beyond that, improving the employee experience can play a significant role in boosting retention rates. Technology tools can help efficiently manage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2,800 + with PRO
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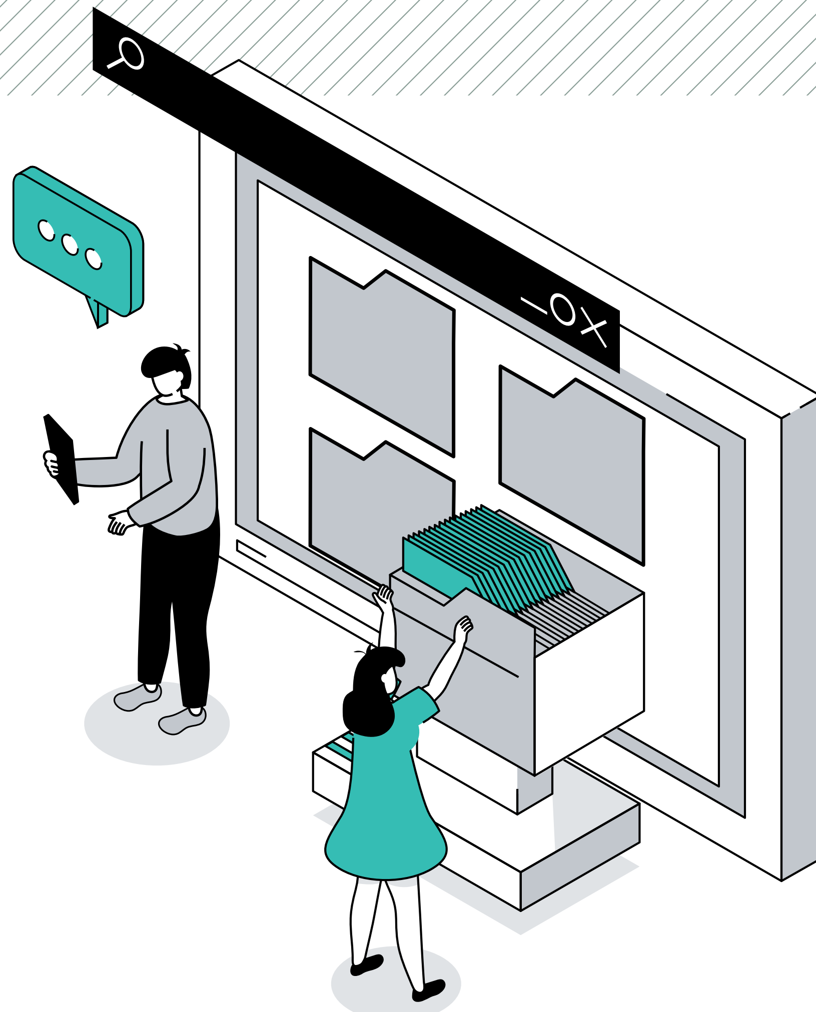


employee engagement and performance activities, and associated workflows, through one system. It begins with a module for quickly and easily onboarding employees electronically. Other capabilities of performance management software should include providing coaching for managers and employees, setting and tracking employee, team, and company goals to ensure alignment, creating custom templates for employee reviews, and using data to monitor an employee's progress against their performance goals. Keeping a close connection with employees helps with their engagement and satisfaction, ultimately improving retention rates.

ENHANCING OPERATIONAL EFFICIENCY

With operating costs at high levels, achieving efficiency remains essential for businesses in 2025. One way to control HR costs is through effectively scheduling and managing employees' time. A robust workforce management platform automates time management functions by producing automatic scheduling recommendations, identifying scheduling conflicts, monitoring employee hours to prevent unauthorized overtime, and enabling scheduling compliance automations to ensure alignment with regulations. These automated solutions reduce risk and improve efficiency by reducing resources spent on manual tasks such as scheduling, time entry, and more.

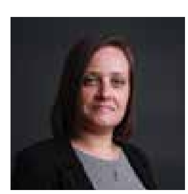
REFINING STRATEGY THROUGH REAL-TIME REPORTS

Perhaps the aspect of an effective HR program that most reflects the importance of combining the right technology with the right people is the strategic and consistent use of data. Accurate, real-time data and metrics provide a new level of insightful analytics for making more informed business decisions.

Intuitive reporting software that aggregates and integrates a variety of HR and business data enables users to easily create customizable dashboards via drag-and-drop functionality in seconds. Data reporting technology also makes it easy to transform raw data into actionable insights delivered via easy-to-understand visualizations and dynamic dashboards. Other important features include the ability to define and refine datasets that support unique business needs and support pivoting data that organizes and analyzes multidimensional data to uncover deeper workforce patterns.

Executive performance dashboards can also provide insight into revenue trends, gross profits, and number of work site employees, helping PEOs gain real-time insight into client performance, identify which clients need additional support, and understand the financial impact of trends across their client base.

As SMBs navigate increasingly complex, evolving business and HR challenges, technology will play an even greater role in driving HR success. Technology-driven solutions like applicant tracking systems, workforce management platforms, and real-time reporting software offer a clear path to overcoming recruitment hurdles, optimizing operational efficiencies, and making data-driven decisions. By embracing these solutions, PEO and HR leaders will be well-equipped to meet the needs of both their stakeholders today and the evolving broader market in the months and years to come. ■



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HOW THE RIGHT HCM TECHNOLOGY CAN ELEVATE EMPLOYEE EXPERIENCE AND DRIVE PEO GROWTH

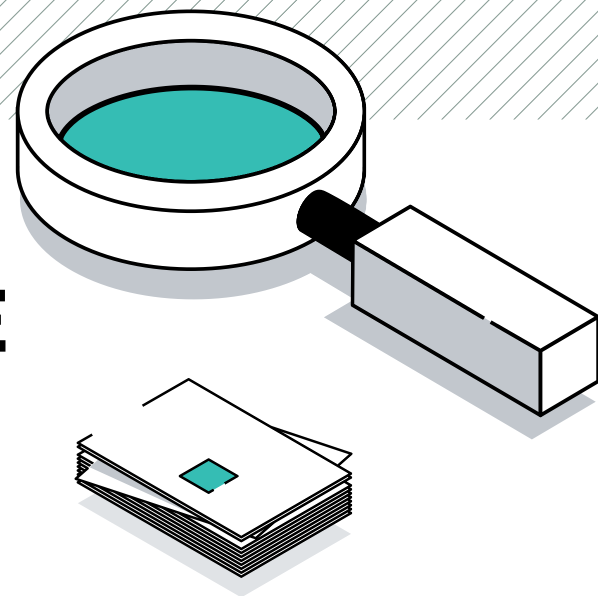


ILLUSTRATION ©ADOBE STOCK/ALEXDNDZ

BY PRAGYA GUPTA

People talk a lot about employee experience (EX). Everyone agrees it matters, but few can articulate why — or how to impact it. Sometimes that talk is so vague EX feels like just another tired HR buzzword. And many businesses, including PEOs, struggle to connect the dots between EX and real business outcomes.

But what if we told you that EX — as part of your Human Capital Management (HCM) offering — could be the key to unlocking growth, engagement, and retention for your customers — and your PEO?

We are in a competitive and volatile labor market. Employees are worth more, and they expect a better experience — from onboarding to performance management, pay transparency to career development.

That is not just a client-side concern. The experience employees have at work impacts your PEO's ability to retain clients, build stronger service offerings, and stand out in an increasingly crowded market. It is no secret that PEOs charge a premium for delivering high-touch HR services, but those services only hold value if they align with the evolving expectations of today's workforce.

The right HCM technology can bridge that gap, delivering seamless, personalized, and impactful experiences that keep employees engaged and businesses growing. PEOs that embrace HCM technology to enhance EX can move beyond transactional payroll and employer-related compliance to offer services that build deeper, more meaningful partnerships with their clients.

Suddenly EX goes from a vague concept into a tangible strategic advantage, driving higher employee retention, client loyalty, and revenue growth — a strategy that is going untapped by most PEOs.

EMPLOYEE EXPERIENCE: MORE THAN JUST ENGAGEMENT

What exactly is EX? In a nutshell, it is the sum of every single interaction an employee has with their workplace — from the moment they apply for a job to the day they leave.

That can feel so big it is hard to get a handle on it, which is why many people think of EX as a soft metric. But for PEOs, EX is far from abstract. It shows up in predictable, essential ways that employees engage with their organization, especially around things that matter most to them: pay, benefits, and job-based performance or career advancement opportunities.

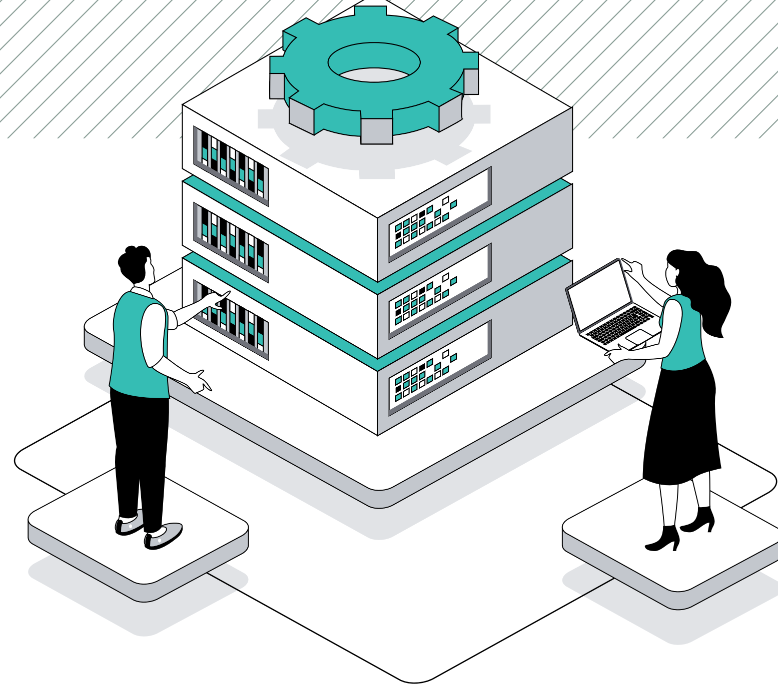
HCM is one of the most critical and frequent touchpoints between employees and their workplace. Employees who have a positive experience with their HCM tools are more engaged, more productive, more likely to stay, and more focused on customers. In fact, according to our 2024 report, Pendulum of Opportunity: A Research Study on ASO, PEO and PSP Expansion and Evolution Amid Dramatic Employer-Employee Dynamics, a whopping 90% of employees say the experience they receive at work affects the experience they deliver to customers.

HCM TECHNOLOGY AS A GROWTH LEVER FOR PEOs

According to our 2024 research, the top business challenge for PEOs this year is acquiring new clients. Offering HCM solutions that prioritize employee experience (EX) not only enhances the appeal to prospective clients—whose decisions are influenced by their own and their employees' needs—but also strengthens retention and expansion opportunities within existing client relationships. However, despite the proven benefits of value-added HCM services, many PEOs are not fully leveraging these technologies to improve EX.

Our research also indicates that 80% of PEOs refrain from using the full suite of tools provided by their HCM vendors, while 67% hesitate to implement predictive analytics and engagement solutions—leaving significant opportunities for client revenue expansion untapped.

The danger of underutilizing HCM technology is twofold: First, PEOs risk missing opportunities to differentiate themselves in a crowded market. Second, they fail to strengthen the loyalty of both employees and clients, which leaves them vulnerable to higher turnover and lost revenue. In a world where businesses are



hungry for solutions that keep employees engaged and productive, standing still is not an option.

CHOOSING THE RIGHT HCM TECHNOLOGY FOR LONG-TERM SUCCESS

With the right platform, PEOs can help their clients shift from transactional payroll and HR to meaningful employee interactions that build that kind of loyalty and satisfaction. HCM technology helps employers build a better EX through self-service tools that empower employees to pursue and engage with learning and career development resources, data driven insights, and communications tools that meet employees where they are.

Of course, not all HCM platforms are created equal. PEOs that want to deliver a great EX need to ensure their technology partner has properly invested in both technology and development — to deliver not only those essential must-have tools but also next-generation tools that align themselves with the anticipated future needs of employers and their employees.

Here is what to look for.

TABLE STAKES: MUST-HAVE FEATURES

Intuitive Self-Service Tools: Consumer-grade access to schedules, benefits enrollment, pay stubs, and time-off requests via mobile apps.

Comprehensive Payroll Management: Timely, accurate payroll processing with easy access to pay slips and tax documents.

Integrated Benefits Administration: Seamless management of health insurance, retirement plans, and other benefits options, ensuring easy enrollment and visibility.

Onboarding Automation: Tools that streamline and personalize the new hire experience, helping employees feel engaged from day one.

Performance and Learning Management Systems (LMS): Platforms to track performance goals, offer feedback, and facilitate professional development through e-learning.

Compliance Tools: Features to ensure clients remain compliant with employment laws and regulations, reducing risks for both PEOs and their clients.

UPPING THE ANTE: NEXT-GEN TOOLS TO STAY AHEAD

AI-Based Virtual Assistants: Virtual assistants that respond to employee inquiries about PTO, payroll, and benefits, saving HR teams time while providing instant support.

Predictive Analytics: Tools that anticipate workforce trends—like flight risk or burnout—based on historical data, empowering PEOs and their clients to act proactively.

Sentiment Analysis Tools: AI tools that analyze employee feedback from surveys, emails, and chat systems to provide real-time insights into engagement and satisfaction.

Workforce Planning and Forecasting Models: Predict staffing needs based on seasonality, historical trends, or business growth, ensuring clients are always staffed appropriately.

Employee Well-Being Platforms: Apps offering mental health support, financial wellness programs, and personalized well-being recommendations to foster employee retention.

Automation for Routine Processes: Automating payroll, compliance tracking, and time-off approvals to enhance efficiency and allow HR to focus on strategic initiatives.

ELEVATE EX AND UNLOCK GROWTH

The future of work is here, and the expectations of employees and employers alike are evolving rapidly. It is time for PEOs to move beyond transactional payroll and compliance and take a more proactive approach to guiding their clients to the solutions and services that will allow their employees to find that level of engagement and satisfaction they are seeking today. ■

PRAGYA GUPTA

Chief Product and Technology Officer
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Charlotte, NC


NAPEO'S MEDALLION PARTNERSHIP PROGRAM
NAPEO

WRITING SIMPLOY'S NEXT CHAPTER

BY CHRIS CHANEY

When Jay King told his leadership team to read Gino Wickman's *Traction* he knew Wickman's business operating philosophy would change his company. But he likely did not anticipate it would set in motion what he admits has always been his dream: seeing his son, Carson King, succeed him as CEO.

In January, Carson will do just that.

Traction tells the story of a business adopting Wickman's Entrepreneurial Operating System or EOS. Six components of a business feed into the EOS model: vision, people, data, issues, process and traction. To put simply, if a business aligns the first five components, then the business experiences traction or the forward movement towards goals and success.

Driven by an ambitious goal to reach 10,000 worksite employees (WSEs), the Simploy team embraces the EOS model to create manageable, incremental goals all leading towards the main milestone. Each step builds upon itself and progress and success are carefully measured along the way.

Jay King has led St. Louis, Missouri-based Simploy for 20 years, but 2025 marks the beginning of a new chapter in the company's history. The forthcoming leadership transition has been intentional and thoughtful, all part of a process to accelerate Simploy's growth and drive to reach new milestones.

The leadership transition will propel the company forward, but the legacy that Jay King built remains the foundation.

EARLY DAYS

In 1998, Jay King started a staffing company which first gave him insight into the world of HR. He had workers in several states and quickly realized the HR burden was too much to handle on his own.

"In 2000, I learned about PEOs from a radio commercial," Jay recalls, "I called the company and we had an initial meeting that went really well. I thought the price they quoted me was a good deal and was ready to move ahead."

His wife and business partner Sharon thought they should first explore alternatives, however. That's when Jay learned—through the Yellow Pages no less—about the Varsity Group, a small PEO based near St. Louis.

David Avakian led the Varsity Group and responded to Jay's inquiry by meeting him personally. The high-touch service made a lasting impression and would ultimately change Jay's life. Jay's staffing company signed on with the Varsity Group for PEO services, and Jay and David soon became personal friends.

A few years later, an unexpected phone call set off a flurry of activity.

"David called me on April 13, 2004, and said he was going out of business, but my account would be transferred to another PEO based in Florida," Jay says.

Jay had known about some business issues David was dealing with, but did not foresee the business shutting its doors. He tried to be a good friend and help David process and evaluate all his options.

"I asked if another company were to buy his PEO and operate the business if that would help save his company," Jay explains.

David thought this would be a feasible solution. So, Jay asked if *he* could buy the PEO.

"He took a long pause and, with no confidence at all, said yes," Jay laughs.

With a renewed sense of hope and optimism, Jay and David got to work coming to an agreement for Jay to buy the Varsity Group. Data and financial reports flew back and forth, and Jay tried to perform as much due diligence as possible. He noticed the business was cash flow positive, so he felt some level of comfort despite the many unknowns about operating a PEO.

Within a few days, a new PEO division had been created and the entity was registered in the necessary jurisdictions. Client accounts were moved over with new agreements, and somehow, miraculously, Jay ran his first payroll on April 28, just 12 days after the deal closed!

The accelerated and chaotic timetable was tough, but financing and insurance coverage quickly became hurdles, too. Any entrepreneur knows how difficult it can be to secure enough funding to purchase or start a business. There's a reason why the word means risk taker in French.

"I knew the deal made sense, but I had to come up with a lot of money. I learned quickly that banks don't lend on cash flow, so I borrowed heavily against my 401(k), signed up for credit cards for cash advances, and took out an SBA loan," Jay says.

When the insurance company Jay's staffing company used found out he had entered the PEO business, the company non-renewed all his lines of insurance. Luckily, Jay managed to connect with a broker who understood PEOs. Assurance helped Jay secure business lines of insurance, while Jennifer Robinson worked a miracle to secure a workers' compensation policy that was underwritten, bound and in effect in 15 days.

Despite those challenges, Jay benefited from acquiring an established book of business with loyal clients. The company's sound infrastructure meant Jay did not need to set up operating and software systems, nor did he have to hire and train a staff.

"To this day, I don't know how we did it," Jay says, "it was a miracle."

FROM VARSITY GROUP TO SIMPLOY

Not long after acquiring the Varsity Group, the team decided to re-brand the new company as Simploy. Jay continued to focus on his staffing business while running the PEO. The economic downturn and recession in 2008 crippled the construction industry which decimated the staffing company as the company did a lot of business in that industry. This forced Jay to turn his full attention to the PEO business. He learned more about the intricacies of the industry and began networking with other operators. The business began to grow as new clients came on board.

Simploy has always prided itself on offering a high-touch level of service to its clients. Crossing the 1,000 WSE threshold signified a milestone and recognition of the company's successful approach and philosophy. The 2,000 WSE milestone followed, and growth really accelerated.

The internal team grew, too, from the original three-person team Jay inherited to more than 20 now. The team is a tight-knit group that's committed to the company's vision and long-term success. It's a blend of industry veterans with deep knowledge and newer members. Of course, one of those newer members is Carson King, who joined the company full time a few years ago after graduating college, however, he's been around the business his whole life.

"I can remember being 6 or 7 and my dad would pay me a dime to take out the office trash," Carson recalls.

That may not be the most formative experience and training for a CEO, but it represents a broader point: he's been involved with every facet of the company from summer jobs during high school to working while in college and now on the leadership team.

"It's really endeared him [Carson] to the staff," Jay says, "they've seen him always willing to help and work his way up."

That said, even though Carson had spent a great deal of time around the company growing up, joining the business full-time was no sure thing. It was always a possibility—and something Jay wished would happen—but not set in stone.

"I golfed in college, and there was a point where I wanted to see if a career in professional golf was possible," Carson says.

Ultimately, he decided to join Simploy. He enjoys the challenge and opportunities the PEO industry brings and has made it a point to work in many different areas to set a good foundation.

From payroll, to onboarding to even risk management, Carson has been involved.

PROJECT 10K

Simploy's implementation of EOS two years ago sparked a business growth and transformation drive that hopefully culminates in reaching 10,000 WSEs. Internally, this goal is known as Project 10K.

The team relies on the EOS framework to simplify and clarify this vision. Leaders are aligned with the rest of the workforce and an emphasis is placed on accountability and measuring results. EOS replaces the traditional corporate organization chart with an accountability chart. There are no titles, just roles and responsibilities. The visionary sits on the top, bearing ultimate responsibility for articulating vision, forging relationships and developing goals. The integrator sits just below the visionary with responsibility for developing and executing the steps and processes to achieve the vision.

"It's powerful in its simplicity and practicality," Carson explains, "growth has accelerated since we've implemented it."

"Things are better than they have ever been," Jay adds.

That said, growth for growth's sake is not part of the plan. The Simploy team remains proud of and committed to offering the high level of quality service their clients have come to expect.

"We can't just offer standard solutions, we have to understand each client's challenges and goals to tailor our services," Carson explains, "That sets us apart a bit and it's a legacy from the culture Jay built."

Growing and scaling without losing a company's core identity and culture is no easy task, but one the Simploy team is committed to. If anything, they see growth as a chance to elevate their level of service and increase their impact on the community.

The team is especially proud of the company's net promoter score that consistently ranks around 90, near the top for all PEOs in the country. It's a reflection of the service quality Simploy provides and how integral their clients see Simploy's resources and expertise to their success.

"The best clients are the ones who truly want a partner," Carson says, "we see our team as an extension of their teams."

Everything seems to be moving in the right direction. The St. Louis area has grown quite a bit in recent years, offering new channels and opportunities for growth. 2023 was a record sales year for Simploy, and 2024 is on track to be so again.

This success is thanks in large part to the incredible team of professionals at Simploy. The *St. Louis Business Journal* awarded the 2023 Best Place to Work Award to Simploy, an achievement Jay and Carson are very proud of. Office culture is no longer an afterthought for employers. Creating a positive, enjoyable workplace matters to employees and contributes to increased engagement and ultimately higher client satisfaction.

"Our core values of proactive positivity, radical collaboration, dependability and a relentless drive to excel shape all we do. We have a team first mindset that informs how we work and approach opportunities to enrich the lives of those we serve," Carson says.

"You learn quickly that your employees keep you in business, a lot of issues go away when you have that mindset," Jay adds.

This increased focus on office culture stems from broader trends reshaping the workforce as younger generations make up a greater share of workers. Flexibility, transparency and purpose-driven careers are desired traits. Expectations from employers have changed among employees with calls for remote work options and enhanced benefits. PEOs have a role to play in helping clients adapt to this new world of work.

In some ways, the PEO industry is a microcosm for the entire workforce. Many PEO founders and veterans have—or soon will—exit the industry. New and younger PEO operators are entering their roles with new ideas, perspectives and experiences. This is certainly true at Simploy as the team

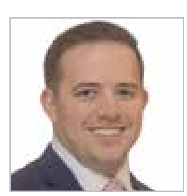
prepares for the final stages of the leadership transition.

That said, it's clear Carson and his team have a solid foundation and 20-year legacy to stand on. He's prepared for the leadership role by learning as much as possible through trainings, leadership development courses and networking with fellow PEO operators.

It's also clear that Jay has total and complete confidence this is the right decision. As he reflects back on his career, he's appreciative and grateful for Simploy's success and how it's allowed him to support his family and his employees.

"I enjoyed having a good business that allowed me to treat it as a lifestyle business, but the team certainly does not have a lifestyle business mentality," Jay says, "They're leaving me in the dust. The next chapter is theirs to write."

"There's really nothing I've ever done that's more rewarding than to have Carson take over something that's been so integral to our lives," Jay adds. ■



CHRIS CHANEY

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PEOs IN THE COMMUNITY:

PrestigePEO: GOING BEYOND BUSINESS IN THE BIG APPLE

BY EVAN FALLOR

New Yorkers have long earned a reputation of wearing a tough exterior, but protective of their Empire State compatriots.

At PrestigePEO, there's really no tough exterior. Just kindness, and a crew that takes pride in giving back to their fellow New Yorkers.

Headquartered a stone's throw away from the Big Apple, Melville-based PrestigePEO has made it a mission to become a difference maker on Long Island—not only from a business perspective, but also in its social and community efforts.

"It's important to put a face to business," said Jay Zamft, PrestigePEO's director of marketing. "That starts where home is."

And it all starts at the top with CEO Andy Lubash.

Lubash, who founded PrestigePEO 26 years ago, has earned a reputation as a dedicated servant of the PEO industry, deeply passionate not only about making life easier for his clients, but also helping those around him. This year's Michaeline A. Doyle Award winner, Lubash has brought recognition of PEOs on a national level to new heights. And he brings the same spirit towards his company's community service at the local level.

In his own words, charitable initiatives help his firm extend its reach and also "make a meaningful difference for the people and causes that define Long Island, New York, and beyond."

> *In October, the PEO sponsored the Tunnel to Towers Foundation's Celebrity Golf Classic, alongside New York sports alumni including former New York Giants Quarterback Eli Manning and former New York Yankees players David Wells, Jeff Nelson, and Jim Leyritz.*

"Our responsibility isn't just to our clients and partners," Lubash said. "It's to the communities we're fortunate to be a part of."

The company's volunteering efforts run the gamut. PrestigePEO has an internal Diversity, Equity, and Inclusion (DEI) committee that ensures the company is considering a wide variety of charitable contributions.

It was an initiative spearheaded by Lubash, who has encouraged everyone from the PrestigePEO sales team to vice presidents to get involved in giving back. Conversations from the group have led to outings and sponsorships supporting the arts, healthcare, education, and plenty in between.


PrestigePEO CEO Andy Lubash at a recent event benefiting the UnitedHealthcare Children's Foundation.

In October, the PEO sponsored the Tunnel to Towers Foundation's Celebrity Golf Classic, alongside New York sports alumni including former New York Giants Quarterback Eli Manning and former New York Yankees players David Wells, Jeff Nelson, and Jim Leyritz. The event benefited the foundation that provides mortgage-free homes to Gold Star and fallen first responder families with young children, founded in honor of New York City firefighter Stephen Siller, who died in the September 11 attacks after racing on foot with 60 pounds of fire gear on his back through the Brooklyn Battery Tunnel to assist at the World Trade Center. Zamft says supporting veterans and first responders is a focus that grew out of the steering committee's conversations, and it's a point of pride for the staff.

Earlier in the month, the team sponsored the National Association of Benefits and Insurance Professionals - CT Chapter's Bowling For Boobies fundraising bowling tournament in honor of Brian Luciani, an industry colleague who helped grow his family business into one of the largest employee benefit firms in Connecticut.

The company is also heavily involved in supporting New York's next generation. A good chunk of employees' volunteer efforts go towards the Children's Museum of Manhattan, the UnitedHealthcare Children's Foundation, Habitat for Humanity, and the youth programs offered by the historic Apollo Theater in Harlem.

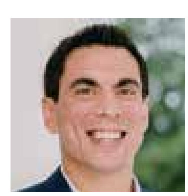
"As great a CEO as he is, Andy's been very vocal about the importance of being a good human being," Zamft said. "He's expressed how important it is to be involved in the community and local organizations."

One of the company's beneficiaries is particularly meaningful for Lubash: the Long Island Alzheimer's and Dementia Center. Lubash's mother suffered from the debilitating disease, and he's made it part of his mission to raise money towards its cure.

And company leadership is always all ears for what causes are most meaningful to its staff as it considers its next community efforts. It's all part of the holistic approach that PrestigePEO takes to improving New York one kind gesture at a time.

Headquartered a stone's throw away from the Big Apple, Melville-based PrestigePEO has made it a mission to become a difference maker on Long Island—not only from a business perspective, but also in its social and community efforts.

"We want it to be a reflection of our dedication to diverse causes," Zamft said. "Something that goes beyond the business side." ■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THE 2024 ELECTION: WHAT IT MEANS FOR PEOs

BY THOM STOHLER

As of December 4, 2024, the presidential and senatorial elections are all settled.

The Republicans captured the Senate majority, picking up four seats and have a 53-45-2 majority. The House will be controlled by the Republicans, but by a very slim margin. As the last remaining House races were just called, the Republicans will control the House with 220 members, a two-vote majority, while the Democrats will hold 215 seats. The Republican's majority will be even slimmer through at least April 2025, as Rep. Matt Gaetz (R-FL) has resigned his seat and Rep. Elise Stefanik (R-NY) will leave her seat once she is confirmed as Ambassador to the United Nations. For the first few months of the Trump Administration, House Republicans will not be able to lose a single vote when passing legislation.

With the election settled, both parties on the Hill go through the process of choosing their leaders, committee chairs, and making committee assignments. The incoming Trump Administration is in the process of filing cabinet-level positions and collecting resumes for the 4,000+ political appointee jobs a President must fill.

From a big picture perspective, this election represents yet another change election. In every federal election since 2006, except for 2012, at least one of the House, Senate, or White House has changed partisan control. These change elections have resulted in tremendous turnover in both Houses of Congress. For example, as we head into tax reform in 2025, only a quarter of the Republican members of the Ways and Means Committee were members of the committee in 2017—the last time the Congress overhauled the tax code. Half of the Republicans on the Ways and Means Committee were not in Congress in 2017. On the Senate Finance Committee, six of the current Democratic members are either retiring or lost their reelection bid. The lack of continuity and experience on the tax committees will make enacting tax reform legislation more challenging.

The NAPEO PAC had a very successful election night. The PAC donated $255,500 to 62 candidates and two Congressional fundraising committees during the 2023–24 election cycle.

> *The recent election should have little to no impact on the PEO industry priorities before Congress. We have adopted legislative and regulatory priorities that can obtain bipartisan support.*

We donated $136,000 to Republicans (53 percent); $114,500 to Democrats (45 percent); and $5,000 to an Independent (2 percent). Of the 57 candidates who were running for election this year, 55 won and two lost, giving us a 96 percent winning percentage for the PAC. The strategy of the PAC is to support candidates on our key committees (tax, workforce, small business), as well as the leadership of both parties. Our support of candidates has positioned the PEO industry well for the upcoming tax reform legislation.

WHAT DOES THE ELECTION MEAN FOR THE PEO INDUSTRY

The recent election should have little to no impact on the PEO industry priorities before Congress. We have adopted legislative and regulatory priorities that can obtain bipartisan support. Our lobbying efforts and PAC contributions are balanced between both sides. The agenda of the industry is designed to help our small business clients grow and prosper. No matter which side wins the election, our industry agenda is well positioned.

Right now, we are asking Congress to push the IRS to clear the backlog of Employee Retention Tax Credit (ERTC) claims. We are working with members of the House Ways and Means Committee to introduce legislation that establishes clear liability for PEOs and our clients on payroll tax credits. We are also working on legislation that will allow other tax credits claimed on an amended PEO return to be paid if the IRS audits a few claims on a consolidated PEO return. And we are working to make sure that any extension of Section 199A tax deductions include language making it clear that PEO clients are eligible for this benefit.

We are working with members of the House Ways and Means Committee to introduce legislation that establishes clear liability for PEOs and our clients on payroll tax credits.

While our agenda will not change due to the election, changes in partisan control of Congress and the White House result in different policies and priorities. A good example is the “joint employer" issue. When there is a Democratic administration, the National Labor Relation's Board (NLRB) will push an expanded definition of "joint employer," which has the possibility of classifying a PEO as a joint employer. When a Republican wins the White House, the NLRB overturns its former decisions and narrows the definition of joint employer. Other labor/workforce policies go through similar changes based on partisan control of the White House.

Because Republicans swept the House, Senate, and White House, they will be able to use a process called "reconciliation" to pass tax reform. Reconciliation allows the Senate to pass legislation with a 50-vote majority, instead of needing 60 votes to pass a bill. This process requires Congress to first adopt a budget resolution, which only requires a majority vote to be adopted—and the President has no role in this stage of the process. Once adopted, Congress can then address spending and tax issues, with a catch. All the provisions of reconciliation must impact spending and revenue. Any provision that fails to meet this requirement can be removed by an objection from a Senator. This is the "Byrd Rule," named after former Senator Robert Byrd (D-VA), and it is designed to keep reconciliation from making significant legislative changes.

Overall, we can expect Congressional Republican's to move tax reform via reconciliation, and we know that they will attempt to move this legislation quickly. We expect the Trump Administration to withdraw most of the regulations issued by the Biden Administration Department of Labor. And we expect a broader deregulation agenda to be pushed by the Trump Administration. ■

THOM STOHLER

VP, Federal Government Affairs
NAPEO
Alexandria, VA

A YEAR IN REVIEW: NAPEO'S LEGISLATIVE WINS ON HEALTHCARE

BY HANNAH WALKER, ESQ.

As 2024 draws to a close, it's worth noting that this year has shaped up to be a successful year for NAPEO's State Government Affairs team and our membership with the passage of two bills focused on codifying a PEO's ability to offer PEO-sponsored health benefit plans for its covered employees in Kansas and Ohio. These two legislative matters were top priorities in the NAPEO 2024 State Government Affairs State Action Plan.

WINS IN KANSAS AND OHIO

Starting in the Heartlands region, NAPEO worked with the Kansas Insurance Department to include language in legislation codifying the existing practice of PEO-sponsored health plans in the state. Kansas Governor Laura Kelly signed HB 2790 into law on April 15 with an effective date of July 1, 2024. This bill clarified a fully-insured benefit plan offered to the covered employees of a PEO is a single employer benefit plan under Kansas law and that all of the shared employees under the PEO arrangement will be treated as the employees of the PEO for purposes of determining what rules apply to a PEO's insured health arrangement.

Moving east to Ohio, our team worked for more than a year to advance SB 175 through the various insurance committees. Gov. Mike DeWine signed SB 175 into law in July with an effective date of October 24, 2024. This bill is essentially identical in effect to the Kansas law described above.

> *These two legislative victories in Kansas and Ohio were top priorities in the NAPEO 2024 State Government Affairs State Action Plan.*

VALUE OF HEALTHCARE TO WSES

One of the valuable benefits that many PEOs offer to client employers is a PEO-sponsored group health plan that is fully insured through large group commercial insurance. PEOs have been sponsoring health plans for decades—both prior to, and after, the enactment of the Affordable Care Act (ACA). These plans have consistently provided worksite employees of small and mid-size businesses with large company benefits they would not have otherwise been able to access on their own.

In almost all states, PEOs have been able to sponsor large-group health plans with respect to their client employers (regardless of the client employer's size). Different states have taken varied approaches in legislative language or regulations. Some states do not have specific language addressing PEO-sponsored plans but allow PEOs to operate large-group plans for the benefit of their client employers based on decades of established practice. As discussed in greater detail below, some other states have statutory or regulatory language expressly allowing for this.

NAPEO continues to work to clarify a PEO's ability to offer PEO-sponsored benefit plans for its covered employees in the various states. While the practice has been in place for decades, to ensure legal certainty for client employers, PEOs, and most importantly, the participants and beneficiaries who receive health benefits through these plans, NAPEO believes legislation codifying this practice is essential.

PROGRESS IN MARYLAND—PEO HEALTHCARE STUDY

In addition to the two wins in KS and OH mentioned above, we are making progress in Maryland on the PEO-sponsored healthcare front. As you may know, Maryland is one of three outlier states that does not allow PEOs to offer fully insured large group health benefits to worksite employees if the client employer is considered a "small employer" under state law.

The Maryland legislature has directed the Maryland Insurance Administration (MIA) to study the PEO industry as it "generally relates to health coverage and PEOs." The MIA must report its findings to the House Health and Government Operations

Committee and the Senate Finance Committee on or before December 31.

Maryland Delegate Lily Qi is the primary sponsor of HB 827 and requested this study in anticipation of filing legislation in the 2025 Session that would allow PEOs to offer large-group health benefits to MD client employers, regardless of the client employer's size.

A Maryland manufacturing company brought this inequity to Del. Qi's attention several years ago when she chaired a taskforce focused on how legislation can place Maryland on a competitive playing field with other states and countries. The final report published in December 2022 addressed the need for policies and programs to help Maryland workers prepare for the jobs of the future. The fourth item on the final report was, "Pass legislation that would open PEO access to any manufacturer under 50 employees. Manufacturers want to offer the best benefits to our employees, but Maryland law currently prohibits manufacturers under 50 employees to get together to offer 'large company benefits' to their employees."

NAPEO has provided information about the PEO industry to the MIA, upon their request, regarding the PEO model, the development of PEOs over time and a PEOs role in providing health insurance to small businesses.

TEAM BALL

The success of our NAPEO State Government Affairs Action Plan this year, especially as it pertains to codifying PEO-sponsored health plans in statute, is a testament to the involvement, dedication and advocacy of many of our members. As an industry, we've made great progress by working together. There's more work ahead of us in 2025, but we're ready! ■

HANNAH WALKER, ESQ.

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PERFORMANCE EVALUATION DOS AND DON'TS FOR EMPLOYERS

BY COLETTE LABATE, J.D., MBA, PHR

Performance evaluations have traditionally been the go-to tool for providing feedback to employees about their performance. Historically they have been conducted annually by the employee's supervisor, but recent data has led to questions about their use and effectiveness following this model.

Some have posited that an annual structure and a heavy emphasis on consequent financial reward or punishment result in performance reviews that hold employees accountable for their past behavior rather than emphasizing current performance and talent development. As a result, many employers have abandoned performance reviews in favor of a model of providing immediate and continuous feedback throughout the year.

While business performance may benefit from the emphasis on improvement and growth, this approach may present challenges for HR departments.

BENEFITS AND EMPLOYER RECOMMENDATIONS

One of the primary benefits of conducting performance evaluations is that they can help a company defend itself against claims of discrimination, retaliation, harassment, and wrongful termination. As a result, employers may want to consider a hybrid approach. One such approach is to maintain annual performance reviews while coaching supervisors on providing more immediate feedback and talent development.

Another approach is to conduct performance reviews more often, such as every three months. This provides for more timely feedback, keeping employees more motivated and focused and deemphasizing the often-demoralizing influence of consequences in pay adjustments.

The practice of conducting performance reviews more often can make life easier for the HR department. HR benefits from more timely performance records and may be able to identify any issues or trends not reported or noticed by supervisors because it receives information more regularly. This may allow HR representatives to address issues more quickly, which could save legal headaches. Evaluators conducting performance reviews should be trained on best practices.

TREAT ALL EMPLOYEES EQUALLY

If they are not treated equally, the employer could be subject to discrimination suits based on disparate treatment. An employer or supervisor may not even know whether an employee is a member of a class protected under state or federal law. If employees are treated the same, many claims of disparate treatment can be defended successfully.

AVOID LANGUAGE THAT REINFORCES STEREOTYPES

Utilizing language that supports historical stereotypes may lead to claims of discrimination. Sometimes traditional biases may sneak into an evaluation without the evaluator realizing it. Consider the following examples below.

- **DON'T:** "[Female Employee] is not assertive about approaching her sales leads."
- **DO:** "[Female Employee] did not meet their sales quota this quarter."
- **DON'T:** "[Older Employee] is not as energetic as their colleagues."
- **DO:** "[Older Employee] did not meet their production target this quarter. The numbers are as follows."
- **DON'T:** "Customers appear put-off by [Male Employee]'s feminine mannerisms."
- **DO:** "Multiple customers have complained that [Male Employee] got their order wrong, and management confirmed that they were correct."
- **DON'T:** "[Female African American Employee] seems to approach customers with a lot of attitude."
- **DO:** "On this date [Female African American Employee] screamed an obscenity at a customer. Here is the quote reported by the customer and confirmed by her colleagues."

AVOID LANGUAGE THAT COULD DISRUPT THE AT-WILL EMPLOYMENT RELATIONSHIP

Certain comments may be interpreted as creating a contract for long-term employment. It is important to provide specific examples and evidence when documenting employee behavior or performance issues. This helps to ensure that the feedback is clear and objective. Using vague or subjective language can lead to misunderstandings and disputes.

By focusing on specific incidents and behaviors, both the employee and the employer can have a better understanding of the situation and work towards improvement. Remember to always maintain a professional and respectful tone when addressing performance concerns with employees. This will help to foster a positive and constructive work environment.

- **DON'T:** "[Employee] has a long future with this company."
- **DON'T:** "If [Employee] continues to perform at this level, they will certainly enjoy job security."
- **DON'T:** "[Employee] has put themselves on the fast-track this quarter."
- **DO:** "[Employee] met and exceeded the following performance goals."

INCLUDE OBJECTIVE INFORMATION

Evaluations should only include objective information. An evaluator's opinion will be more difficult to defend against a claim of wrongful termination.

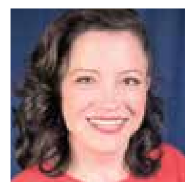
- **DON'T:** "I often feel like [Employee] is not listening to my feedback."
- **DO:** "On this date I provided feedback to [Employee] that they were performing this task in a dangerous manner and demonstrated how to perform it safely. Employee continued to perform the task in the manner I described as dangerous."
- **DON'T:** "[Employee] does not seem motivated."
- **DO:** "[Employee] did not meet this production goal."
- **DO:** "[Employee] was late for work on the following dates."
- **DON'T:** "[Employee] is not forthcoming with information."
- **DO:** "On this date [Employee] did not inform management about the following situation, which needed to be addressed immediately."
- **DON'T:** "[Employee] is not a team player."
- **DO:** "[Employee] did not attend the team meetings held on the following dates."
- **DO:** "[Employee] did not participate in the following group project."

DON'T SUGAR-COAT

Again, objective information is crucial in addressing performance issues and defending against wrongful termination claims. Trying to "be nice" may undermine such a defense by contradicting the reasons for the termination. Lastly, providing sugarcoated information to employees prevents them from receiving honest feedback that could help them improve. When employees aren't challenged to improve, the company misses out on the full potential of its workforce.

- **DON'T:** "[Employee] is an asset to the team but could do a bit better in the production department."
- **DON'T:** "[Employee] is a valued member of the production team, but did not contribute quite as much as their colleagues this quarter."
- **DO:** "[Employee] did not meet the following production quota."

When conducted properly, performance evaluations are a valuable tool for an employee, the business, and Human Resources alike. Proper training on best practices can go a long way toward protecting an employer's interests. ■



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AD INDEX

Boldface type indicates NAPEO Medallion Partner

YEAR ONE

BY CASEY M. CLARK

It's hard to believe, but when you read this, I will have completed my first full year of service to the PEO industry as NAPEO's CEO. When everything is new—new colleagues, new office, new members, new issues—it's hard to wrap my head around encapsulating my first year in a few hundred words. Maybe the right frame is "whirlwind," but that doesn't have the right connotation. The truth is, it's been and continues to be an incredible privilege to work with and for you this year.

Some of you may remember that my wife and sister also run trade associations, and a lot of my friends are part of this club, too. With that backdrop, you can imagine that there is no shortage of words of wisdom when you earn one of these jobs, but what's true about PEOs (if you've seen one, you've only seen one), that's true for associations, too. So, I committed to experiencing all of our offerings, meeting as many of our members as I could, engaging our stakeholders in government and more to approach my job as informed as I could be about what you needed in your association and how we could best deliver on our promise to be your best advocates. Because I knew from experience that change can be disruptive, I was committed to not break anything that didn't need to be broken.

For the most part, this approach was successful. I spent a lot of time with a lot of you. Together we improved our standing with federal policymakers and regulators, setting ourselves up for a big year in 2025. We made good progress protecting and enhancing the business and policy environment for PEOs through our work in state capitals across the country. And we continued to make gains on PEO comprehension and appreciation through sustained communication with those with the greatest ability to impact our future.

Of course, there's more I would have liked to get done. I wish I'd had more time with my colleagues in the office. That the relentless work to hold the IRS' feet to the fire lessened everyone's frustrations with ERTC delays more. That my efforts to eliminate the Oxford comma from NAPEO content were more successful.

All of these experiences have me better prepared, optimistic and excited about year two, and incredibly grateful for the opportunity to be part of this tremendous industry. ■

CASEY M. CLARK

President & CEO
NAPEO
Alexandria, VA

YEAR ONE BY THE NUMBERS

25 NAPEO trips, traveling 63,875 miles (more than 2.5 trips around the world)

36 total trips, traveling 78,393 miles (more than 3 trips around the world)
• 7 to Florida, 7 to New York, 4 to California, 3 to Texas

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