PEO INSIDER

PUBLISHED BY THE NATIONAL ASSOCIATION OF PROFESSIONAL EMPLOYER ORGANIZATIONS®

THIS MONTH'S FOCUS

THE FINANCE AND PROFITABILITY EQUATION

KEEPING YOUR BOOKS IN ORDER

OVERCOMING FINANCIAL CURVEBALLS

STAYING COMPETITIVE

COVER STORY

KEENA

ALL IN ON PEO

Shawn Weinberger, Sam Rathbun, & Christina Gerarde

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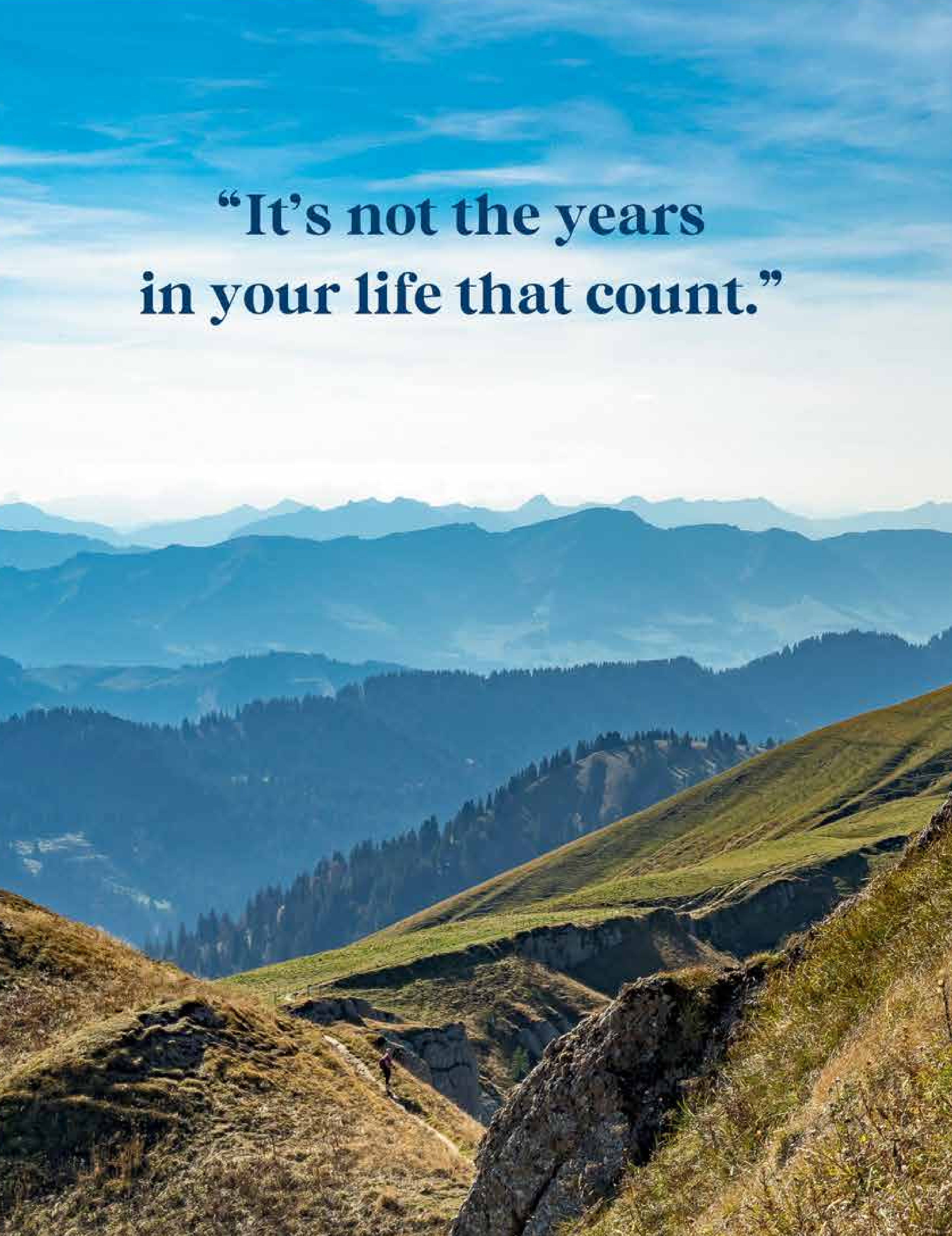
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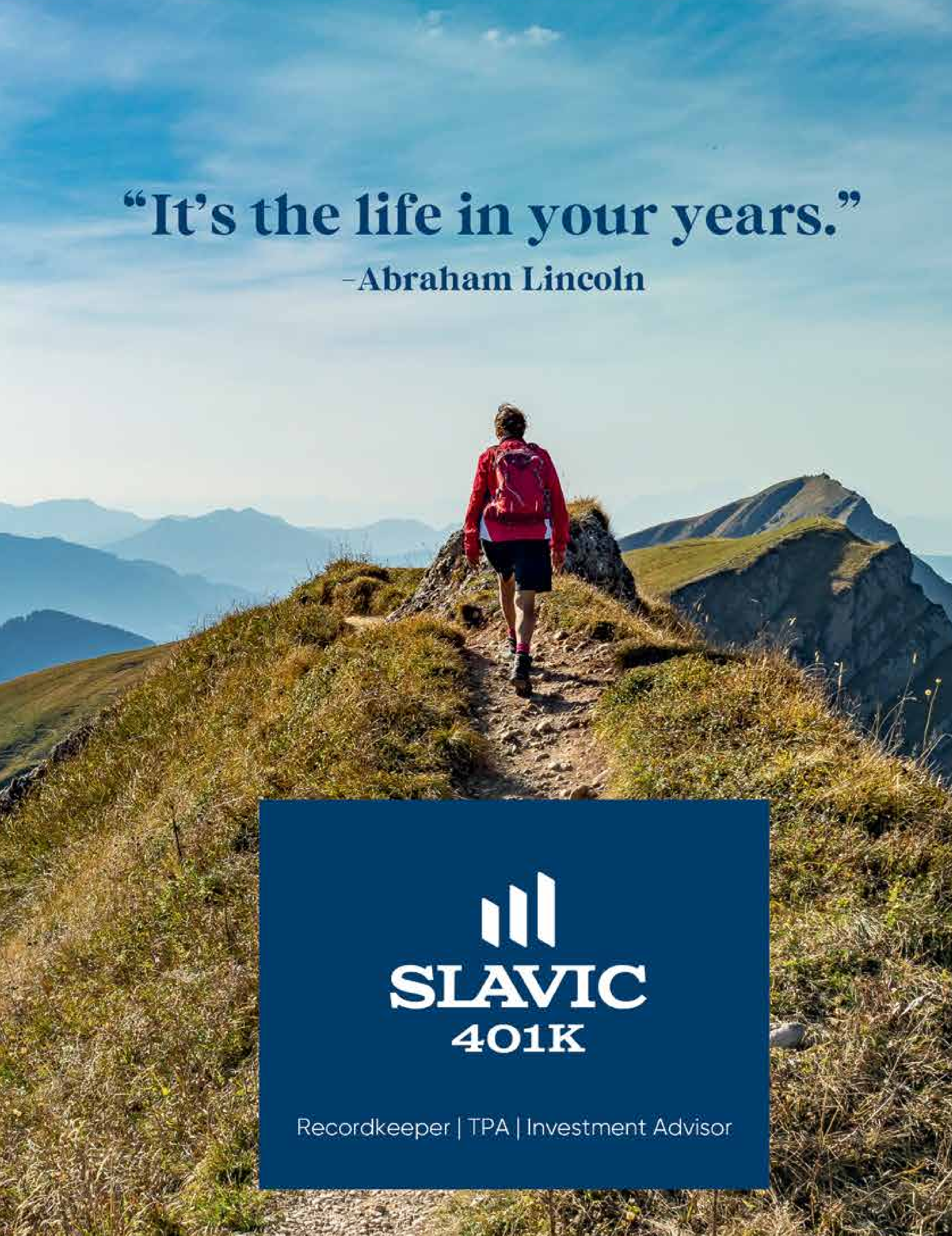
in your life that count."


"It's the life in your years."
–Abraham Lincoln
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THIS MONTH'S FOCUS: THE FINANCE AND PROFITABILITY EQUATION

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TRACKS

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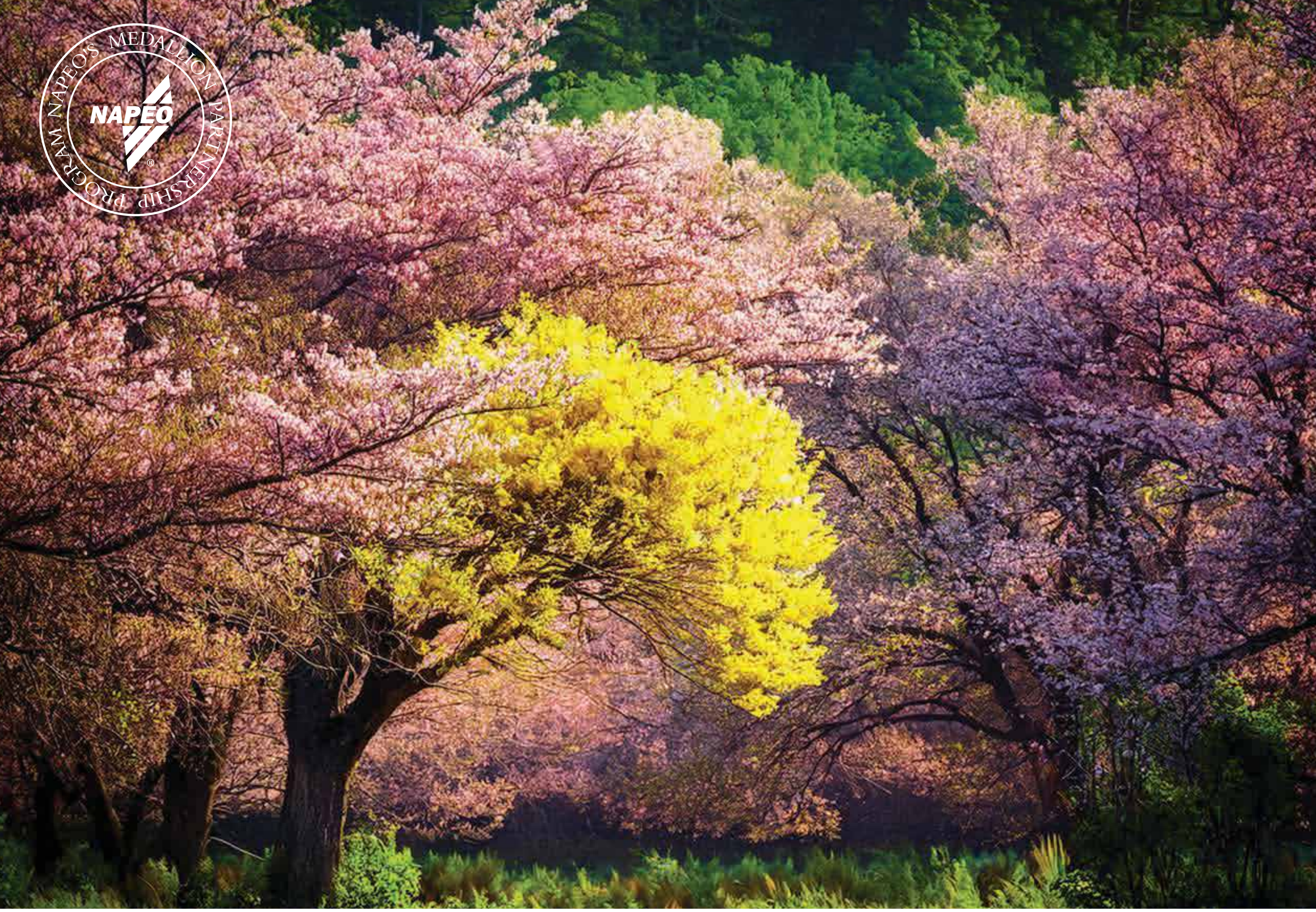

NAPEO'S MEDALLION PARTNERSHIP PROGRAM
NAPEO

STRONGER TOGETHER: WHY MEMBER ENGAGEMENT IS THE ENGINE BEHIND NAPEO'S IMPACT

BY DAVID FEINBERG

As we head into summer, I've been thinking a lot about what powers our industry forward. And while each of us may be focused on different aspects of running our businesses—profitability, product innovation, client service—the common denominator in our progress is connection.

The strength of NAPEO lies in its members. Always has. Our collective voice is the reason we've made real legislative progress. It's how we show up as a trusted industry. And it's what makes the work we do not just impactful, but representative of the full diversity of PEOs across the country. We are a unique ecosystem—large and small firms, innovators and operators, specialists and generalists—and that diversity strengthens our ability to anticipate what's next and respond with clarity.

With the board nomination process underway, now is the time to take stock of how we engage—and how we can do more. There are countless ways to get involved with NAPEO beyond simply being a member. Our committees—whether focused on membership, education, HR & benefits, or marketing—are open invitations to shape the tools, guidance, and standards we rely on as an industry. Our legislative councils are where we amplify our advocacy and ensure policymakers hear from people with real skin in the game. These efforts are especially critical as we continue working toward state-level recognition of the co-employment model and fighting for parity in access to benefits and programs.

NAPEO's conferences, especially the Annual Conference & Marketplace, remain some of the most energizing environments I've experienced. They're a reminder of the power of face-to-face connection—and a place to hear what's keeping your peers up at night and what's working in their organizations. They're also where many of our best ideas take root.

When we talk about participation, it's easy to reduce it to a box-checking exercise. But this work isn't just good for the association—it's good for our small business clients. Engaging with NAPEO helps you sharpen your leadership voice, expand your network, and contribute to the future of the PEO model. It's also a meaningful way to mentor and uplift the next generation of leaders in our space—something we'll need more of as our industry continues to grow and evolve.

Our success as PEOs doesn't happen in a vacuum. It's influenced by the broader environment we operate in—by regulation, reputation, and resilience. That's why our shared advocacy matters. That's why our collective action matters. And that's why now, more than ever, we need members to step forward, speak up, and help lead. Every voice adds weight. Every effort helps shape our momentum.

If you've never joined a committee, volunteered for a panel, or considered board service—this is the year to start. The future of this industry belongs to those willing to help shape it. And at NAPEO, there's always a seat at the table for those ready to raise their hand. ■

DAVID FEINBERG

2024-2025 NAPEO Chair
SVP of Risk & Insurance
Justworks

CONGRATULATIONS

THAD STEELE WINS LIFETIME ACHIEVEMENT AWARD

The Better Business Bureau (BBB) El Paso chapter presents the Lifetime Achievement Award as part of their annual Torch & Spark Awards ceremony. The award recognizes businesses that have demonstrated exceptional ethical business practices and community commitment over a long period. In 2025, the award was presented to Thad Steele and T&T Staff Management, Inc. Steele serves on NAPEO's Board of Directors and serves as the Texas Leadership Council Chair. Congratulations, Thad!

NEW SERVICES

VENSUREHR NAMED OFFICIAL HR TECHNOLOGY & SOLUTIONS PROVIDER OF THE USL

NAPEO member VensureHR recently announced a multi-year partnership with the United Soccer League (USL) that will make VensureHR the Official HR Technology & Solutions Provider of the USL and the exclusive presenting partner of the League Two and W League Playoffs.

"The USL is a fast-growing organization that offers a tremendous pathway for both men and women to ascend from the youth ranks to professional soccer players. At every step of the journey, VensureHR has solutions to streamline HR processes, allowing the league and its clubs to keep their focus on developing the best on-field talent," said Phil Urso, Chief Sales Officer of Vensure Employer Solutions, parent company to VensureHR.

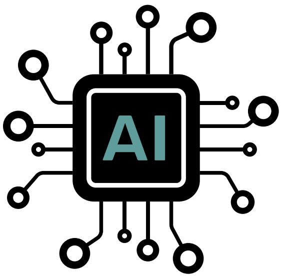
C-SUITE

G&A PARTNERS WELCOMES PASCAL GIBERT AS ITS NEW CHIEF TECHNOLOGY OFFICER

NAPEO member G&A Partners recently announced that Pascal Gibert will assume the role of chief technology officer (CTO). He succeeds Lloyd Closson, who will now serve as the vice president of software engineering. "Pascal brings deep expertise in digital transformation, engineering leadership, and organizational excellence to G&A. As we continue to experience significant growth, both organically and through acquisitions, expand our best-in-class HR services, and reach new markets, Pascal will be instrumental in driving our technological advancement and innovation. He will be a tremendous addition to the leadership team," says John W. Allen, president and CEO of G&A Partners.

NORTHERN KENTUCKY CHAMBER OF COMMERCE AWARDS CURRENT HR START-UP AWARD

NAPEO member Current HR was recently awarded the Start-Up Award at the 2025 Northern Kentucky Chamber of Commerce Business Impact Awards. This award recognizes the PEO's commitment to growth and sustainability within the Northern Kentucky business landscape. Congratulations to Current HR CEO Charlie Vance and the entire Current HR team!



DATA

REPORT: 91% OF EMPLOYERS USE AI TO HIRE

The AI & Hiring Trends 2025 report from Resume Now reveals that 91% of employers say they use AI to hire, and 73% report faster time-to-hire as a result. Based on a survey of over 900 U.S. hiring professionals, the report highlights how AI is transforming the hiring process—improving speed and efficiency while also sparking calls for clear rules on AI-generated resumes.

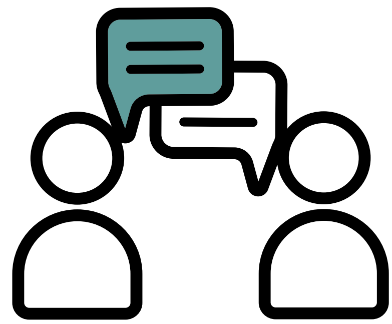
Key findings include:

- 96% of employers use AI in hiring—from writing job descriptions to screening resumes
- 94% say AI screening tools are effective at identifying top candidates
- 79% believe companies should regulate the use of AI-generated job applications
- Nearly half say AI now powers more than 75% of their recruiting activities

NEW SERVICES

HUB INTERNATIONAL LAUNCHES PEO CONSULTING PRACTICE

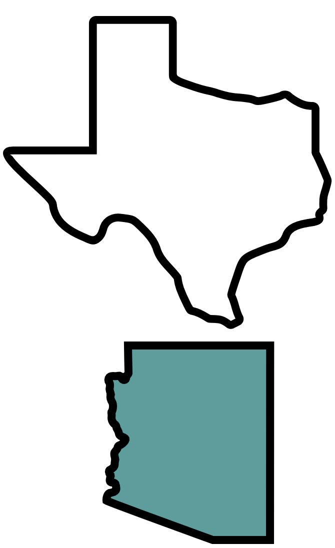
NAPEO associate member Hub International Limited (HUB), recently announced the launch of HUB PEO Consulting, a consulting practice in the U.S. Carrie B. Cherveny, Esq., one of HUB's Employee Benefits Compliance Practice Leaders, has been named the National PEO Consulting Practice Lead.



EXPANSION

FRANKCRUM EXPANDS PEO MARKET PRESENCE IN TEXAS AND ARIZONA

NAPEO member FrankCrum recently announced the company is expanding its presence across the Southwest with dedicated representation in key markets throughout Texas and Arizona. "Texas and Arizona are full of hardworking people trying to grow their businesses, and that's who we're here for. We've been helping businesses across the country for more than 40 years, and this is a natural step for us. I'm proud of our team and excited to see them out there making a real difference. We've always believed in being of service, and now we get to do that face-to-face with even more business owners," said FrankCrum, Jr., CEO and Founder of FrankCrum.



ANNUAL CONFERENCE

REGISTRATION OPEN NOW FOR NAPEO25

Join us from October 6–8, 2025, at the JW Marriott Austin in the heart of Texas. Here's what you can expect:

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

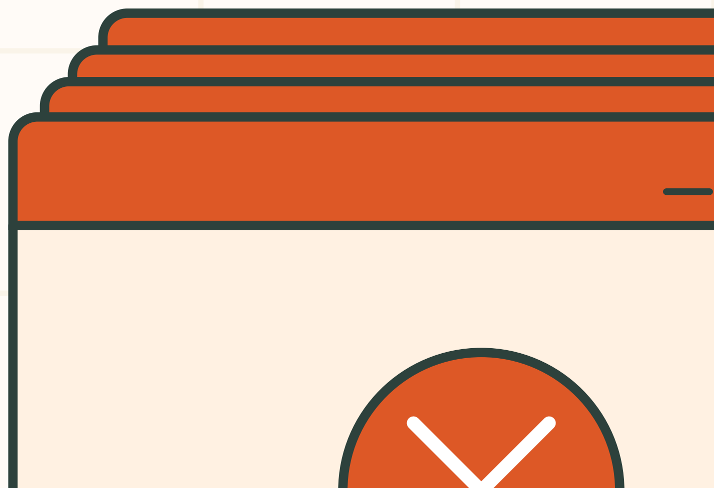
Learn more and register at **napeo.org/annualconference**.

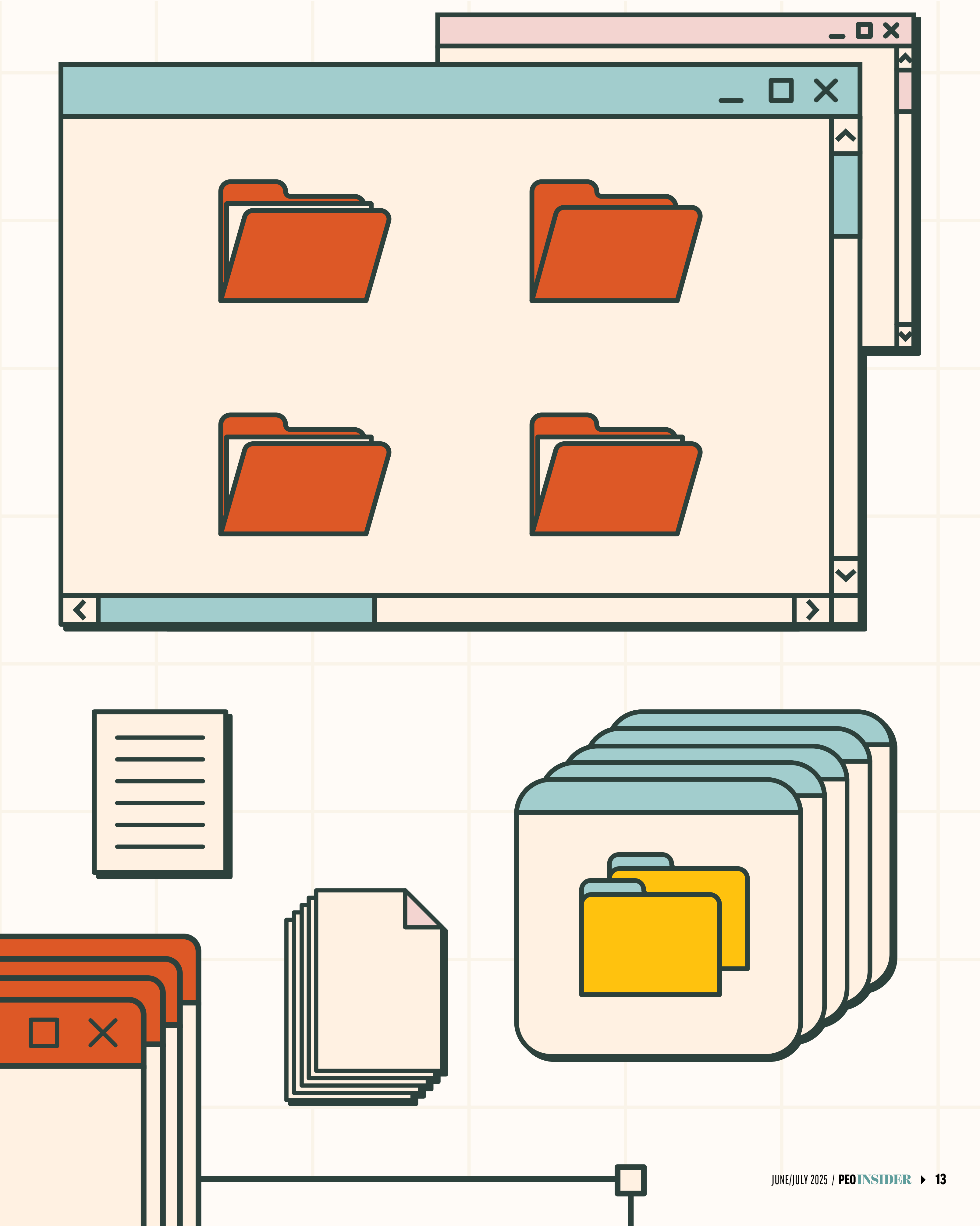
KUDOS

SYNDEO RECEIVES NATIONAL RECOGNITION FOR UNEMPLOYMENT INTEGRITY

The National Association of State Workforce Agencies (NASWA) awarded NAPEO member Syndeo with the association's Superior Performance Award at the 2025 SIDES Seminar in Salt Lake City, Utah. This award recognizes organizations that achieve a 100% score in their use of the State Information Data Exchange System (SIDES), a national system used to securely and efficiently manage unemployment insurance (UI) claims. "We are proud to be the only PEO selected for this prestigious award Unemployment insurance is a critical part of the services we provide, and this recognition affirms our commitment to managing it with the highest standards of accuracy, integrity and care. It's a true reflection of the dedication our team brings to supporting both our clients and their employees every day," said Bill Maness, President & CEO of Syndeo. ■

KEEPING YOUR BOOKS IN ORDER





THE STRAIGHT AND NARROW OF WORKERS' COMPENSATION ACCRUALS

BY FRANK HUANG, FCAS, MAAA

CFOs and accounting teams across a wide variety of firms all face a harrowing decision each month — how to accrue for their insurance coverage liabilities. A stable workforce that has a consistent monthly cost makes the problem simple, but variances in types of insurance policies or changes in the underlying exposure base make for a less than trivial exercise. Unfortunately, all these characteristics and more are commonly found in PEOs.

In this article, we'll talk about how to consider different methods for accruing such liabilities, particularly workers' compensation. We'll also share results from a Davies survey of PEO CFOs and finance professionals representing 600,000-700,000 WSEs and how those individuals approach this issue for their respective firms.

WHY ACCRUING FOR WORKERS' COMP IS NECESSARY

Accurately accruing for retained insurance liabilities isn't just good practice — it's a requirement. Unlike other goods or services where revenue and costs typically occur in the same period, there is typically a disconnect between premium and claims costs for insurance liabilities, where claim payments may occur months, years, or even decades after the initial occurrence. As such, GAAP requires accrual accounting to match expenses to the period in which they are incurred, not when cash changes hands. Adhering to GAAP accounting has other benefits, such as:

- Monthly P&Ls aren't distorted by timing of claims or premiums.
- External stakeholders — lenders, auditors, partners — see a clearer picture of your risk position.
- The company can anticipate and plan for future payouts, both large and small.

While all the respondents to our survey state that they do accrue for WC liabilities, these firms also have been on deductible policies for at least a few years. In our experience through buy-side M&A due diligence, we have seen smaller PEOs newly on deductible plans still using cash accounting.

There are two main approaches to monthly accruals, and one in between.

STRAIGHT LINE

The first approach is the simplest – a straight-line accrual where each month's accrual is 1/12th of the estimate for the full year.

This approach is ideal for smaller firms that are not seeing material growth, have limited variability in payroll, and/or have fixed premium structures or guaranteed-cost policies.

However, the strength of this approach is also its weakness, as it does not reflect any changes in the underlying exposure base and may result in a larger year-end true-up needed.

HOW TO DECIDE WHICH METHOD IS RIGHT FOR YOU

When choosing between straight-line and variable accruals, consider these factors:

FACTOR	GO STRAIGHT-LINE IF...	GO VARIABLE IF...
COMPANY SIZE	You're small-to-mid-sized	You're managing large, multi-state payrolls
POLICY TYPE	Premiums are fixed or predictable	You have large deductibles or self-insure
CLAIM ACTIVITY	Claims are rare or low-cost	Claims are frequent, high-cost, or volatile
AUDIT REQUIREMENTS	Internal use or light external reporting	Subject to audit, lender scrutiny, or investor review

VARIABLE METHOD

The second approach is a variable method where the accrual is calculated as a function of different metrics to capture things like seasonality, shifts in business between geographies and industries, starting or ending large projects, etc.

The strength of this approach also lends itself to a weakness. In the complexity of being able to respond to real-time changes, the accrual function itself may need updating over time to ensure that it remains accurate in the future.

It is worth noting that there is a third approach which is a hybrid of straight and variable. For example, one can use a straight-line accruals for 10 or 11 months and true up in the remaining months using the variable approach.

In practice, many PEOs start with straight-line accruals and shift to variable methods as they grow, take on higher-risk clients, and take on more risk through deductibles or self-insured programs.

Noting the profile of most survey respondents being relatively more experienced with deductibles, all respondents stated that they use a variable method. Additionally, roughly 70% of all respondents responded that they "rarely" had a large true-up at year-end while roughly 15% said "sometimes" and the remaining 15% said "often".

One respondent rightly commented that no accrual method can account for everything, and that there are many things outside of the accrual method that can lead to a large true-up.

HEAT CHECK

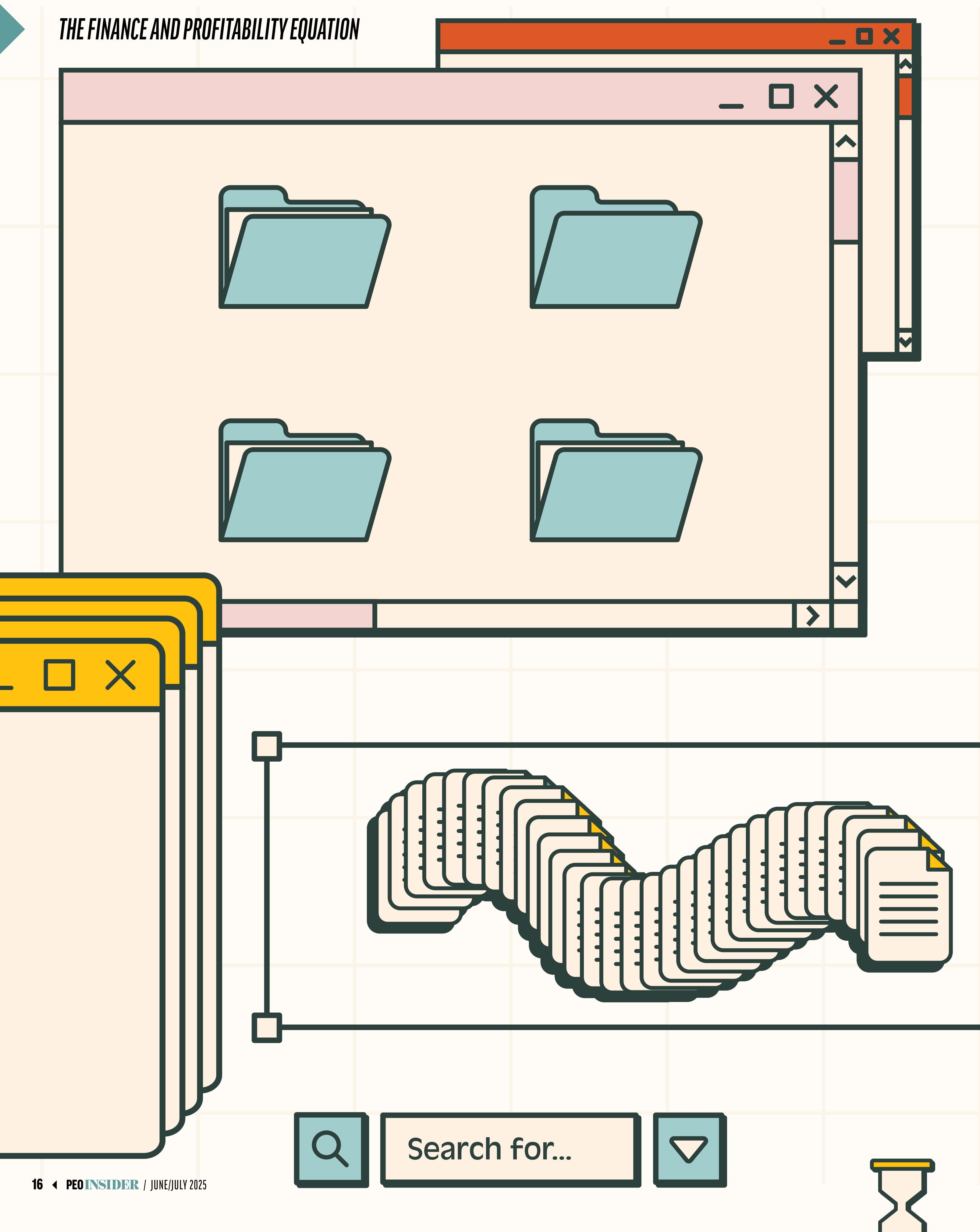
While a straight-line method might offer simplicity and consistency, a variable approach is often the better approach to capture real-world developments. If you're considering shifting to a variable accrual model or wanting to confirm that your variable approach is best, consider the following steps.

1. Look at whether your aggregate accrual ties to your actuarial report's point estimate and/or is within the actuarial range.
2. Calculate the implied monthly ultimate loss ratio and/or ultimate cost for the past 2-3 years and see if the resulting metrics appear reasonable.
3. Consider your past true-ups and whether any of those could have been mitigated or prevented entirely through a better accrual model.

If any of the above produce results that appear inconsistent or unreasonable, consider tweaks or wholesale changes to your model. With the right approach, you should have an intuitive and efficient model that will produce accurate and automated monthly accruals. ■

FRANK HUANG, FCAS, MAAA

P&C Actuarial Practice Leader - Actuarial Solutions, Insurance & Risk Management
Davies North America
Peachtree Corners, GA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AUDIT-READY
PREPARING YOUR PEO FOR A SMOOTH FINANCIAL REVIEW

BY JENNY SMITH

We've all been there – it's year end and we are stressed – along with the other regulatory issues, deadlines for financial audits are right at the top of the list in importance. Nothing feels better when you can tackle the year-end audit, and everything runs like a well-oiled machine. So how do you get to that point? Here are my top tips for not only making year-end a breeze but also making you audit ready all year long which, let's face it, gives leaders like us more confidence in the numbers we present and the future planning which results from them.

CREATE A ROBUST MONTH-END CHECKLIST AND STICK TO IT

Most importantly, this list should include all the essentials (bank recs, AR and AP schedules, depreciation schedules, etc) but don't forget the places where things hide. Don't forget those pesky liability accounts. Additionally, a good checklist should include not just the completion of these items but also reviews by the appropriate people. You need to catch the items that carry over in the balance sheet such as old outstanding checks, miss-recorded entries, or old A/R that was accidentally not collected. Monthly review gives you awareness, but also the chance to remedy the problem quickly resulting in less financial risk.

> "Have current process documentation that matches the process of getting completed in real life. Don't just check the box.

DETERMINE WHERE THE RISK OF ERRORS OR POTENTIAL FRAUD COULD HIDE

Auditors care about that and so should we! Create a process for reviewing financials as well as the underlying numbers. Use technology to make this efficient and consistent and adjust the criteria as needed. Finally, think how someone from the outside can verify that this was done and if you can explain why you are doing it that way. This will give you and your auditors confidence in you, your team, and the company.

THE SCHEDULES ON YOUR CHECKLIST

Sure they're done, but are they right? Set up a process which forces you to know the schedules not only tie to the balance sheet, but that they are correct. Typos and Excel spreadsheet formula issues can be problems and then come year-end you have to do an entry to add another $30,000 in expenses that were pulled to a schedule. A simple review by a second person, or better yet, using technology to help you, can prevent an unexpected entry leaving you to explain the new numbers and why your process was not sufficient.

PREPARE ALL FOUR FINANCIAL STATEMENTS EACH MONTH

Review YOY and MOM. Compare plan to actual and review margins. Identify large variances and potential issues and dive into the details. If your team is really good, you kick it to the team to review and get back to you. Don't hold it at the top and expect to have time. You won't!

DOCUMENT PROCESSES

Have current process documentation that matches the process of getting completed in real life. Don't just check the box. If you can count on the processes, you will be in a much better position internally and with your auditors.

WATCH FOR CHANGE

Identify significant changes as you go through the year. Examples include changes in leadership, new software, expanding into a new market, etc. Be able to explain these changes including intent, strategy and actual and expected impact.

THINK AHEAD

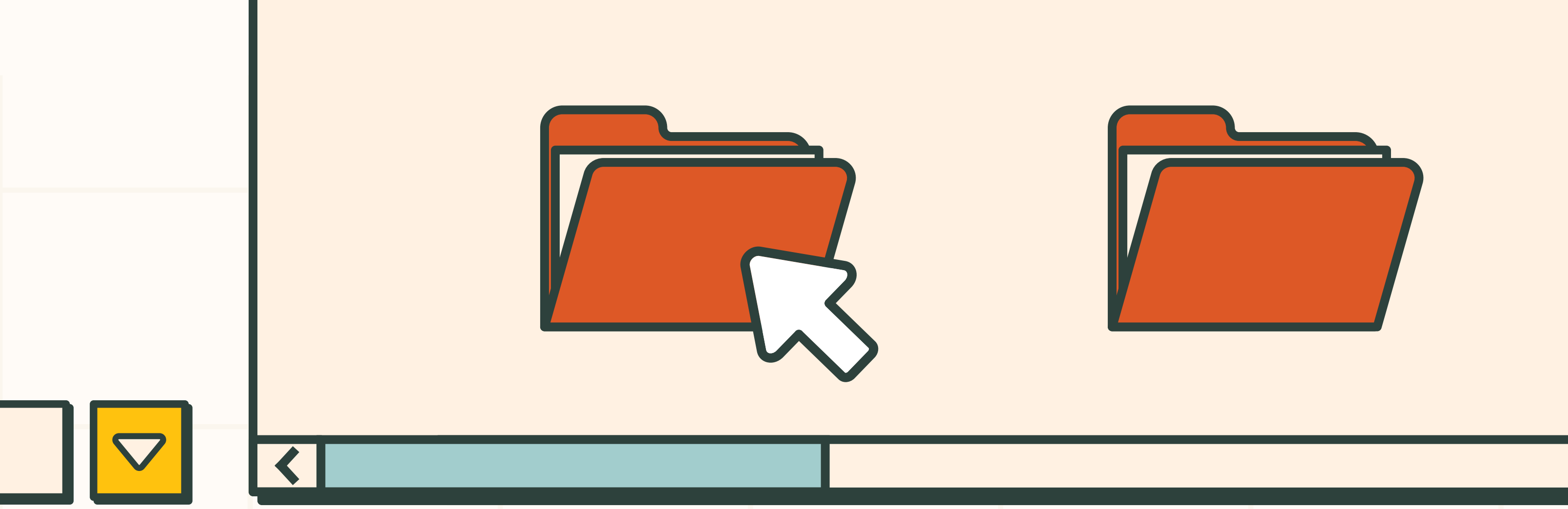
Think of your next audit after completing your current audit. I know it's not easy when we've been working nonstop, but it pays off. Identify what did not go well, what was surprising, and develop a plan to correct. Most importantly, execute the change while it's fresh in your mind and you will be thankful you did.

HAVE A GREAT TEAM IN PLACE!

It's not easy sometimes but this is critical for making everything above happen. Hire well and terminate quickly! Good teams can participate in the audit. It makes the audit process a lot less stressful. Don't hold it all at the top!

In conclusion, it's not rocket science and most of us know what needs to be done. Measure progress and delegate well. Make it a team effort. If this list is overwhelming, then start with the most important and impactful and focus on that. Do the next right step and each year it will get easier and easier. Before you know it, you will be ready for an audit any time of year. ■

JENNY SMITH
CFO
ESI
San Antonio, TX



READY FOR DEPARTURE

VALUATION READINESS AS A DISCIPLINE

BY SCOTT SILVA & WANDA SILVA

WHY VALUATION READINESS MATTERS

As one PEO operator put it, “In this world, you have to be ready for anything — because when opportunity arises, you want to seize the day.” And yet, many PEOs still treat valuation as something that only matters if M&A is on the table. In our view, that’s a mistake.

Valuation readiness is not about chasing the highest number; it’s about creating strategic options: the ability to raise capital, partner ambitiously, scale with confidence, and eventually, exit on your own terms. The most resilient PEOs are not reacting to the market, they create the opportune move when the moment is right.

You can think of valuation readiness like a seasoned pilot preparing for takeoff. Even on a clear day, you run the checklists, plan for contingencies, and stay ready for a change in destination. You may not hit turbulence, but you are always prepared for the unexpected. You don’t wait for a storm to get ready, and neither should your business.

OPERATE WITH EXIT STRATEGY IN MIND

Picture yourself at the negotiation table with a strategic buyer. They point to a decision in your financials and ask, “Why did you do that?” Would you have a clear, consistent answer?

It’s easy to get caught up in the day-to-day of running payroll, onboarding new clients, managing benefits, and delivering exceptional client service. And these are critical. After all, client service is at the heart of every great PEO. Alongside operational excellence, however, there is another layer of leadership: thinking like an owner who is preparing for an exit.

Operating with an exit strategy in mind does not mean you are planning to sell. It means you make decisions that you, your board, your investors, or your buyer will thank you for in the future. Structure Client Service Agreements (CSAs) with clarity, set administrative fees with transparency, and track cost centers like your business depends on it.

The *hard part* is often doing the simple things consistently. And just like our pilot, skipping that discipline now can create complexity later, especially if turbulence arises. One-off decisions can pile up, and cleanup becomes an operating expense.

Here's the mindset shift: Run your PEO like your dream buyer is watching. Ask yourself, "What would my board think?" Then act accordingly.

TRACK WHAT POTENTIAL BUYERS TRACK

As the legendary investor Warren Buffett put it, "Price is what you pay. Value is what you get." Buyers will validate a high multiple only when they can see and trust the value beneath the surface. We recognize there are many ways to assess value in a PEO. In our experience, these are five key performance indicators (KPIs) every PEO should track to stay *valuation ready*:

Gross Margin Percentage. Formula: *(Gross Profit ÷ Revenue) x 100.* Buyers scrutinize margin structure first. It is the clearest signal of whether your PEO is profitable or just busy.

- **High gross margin:** efficient service delivery, lower perceived risk, and higher multiples.
- **Thin gross margin:** potential underpricing, overstaffing, or structural inefficiencies. All of which can suppress total valuation.

Gross Profit per Worksite Employee (WSE). Formula: *Gross Profit ÷ Total Worksite Employees.* This metric cuts through topline revenue and illustrates meaningful unit economics. Buyers want to see how much true profit is created for every worksite employee you service.

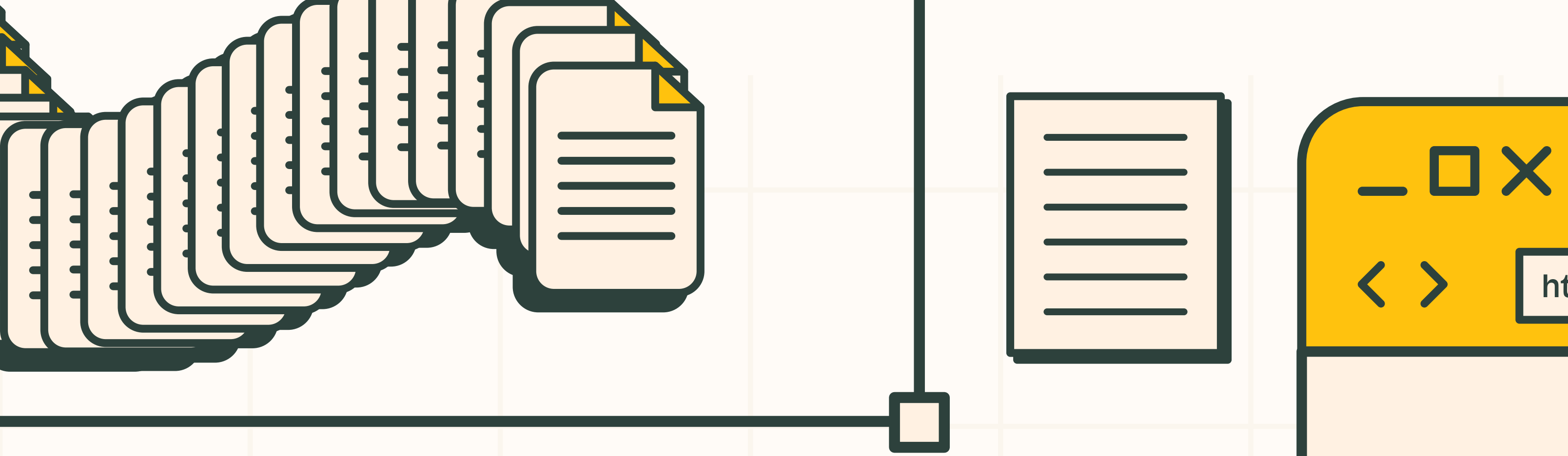
- **High GP per WSE:** stronger unit economics and pricing power.
- **Flat or declining GP per WSE:** despite WSE growth, signals you are working harder for less profit.

Client Retention and Churn. Formula (Churn Rate): *(Clients Lost During Period ÷ Total Clients at Start of Period) x 100.* Recurring revenue is only valuable if it recurs. Client retention and churn directly impact revenue projections and buyer-perceived stability.

- **Low churn:** sticky revenue, predictable cash flow, and satisfied clients — all buyer magnets.
- **High churn:** triggers questions around client satisfaction, revenue stability, and competitive vulnerability.

Revenue by Service Line. Approach: *Segment total revenue into: Administrative Fees, Insurance Commissions, Consulting, Technology, & Other.* As PEOs diversify their offerings, buyers crave visibility into what's driving growth. Breaking out revenue by service line clarifies margin quality, cross-sell strength, and pricing strategies. It also highlights overdependence on low-margin offerings or underutilized profit centers.

Client Concentration. Formula: *Revenue from Top Client(s) ÷ Total Revenue.* In the eyes of a buyer, revenue concentration is a risk multiplier. Even the "stickiest" of clients can pose a threat if they make up too large a share of your top line.



> "Valuation readiness is not about chasing the highest number; it's about creating strategic options: the ability to raise capital, partner ambitiously, scale with confidence, and eventually, exit on your own terms.

- Best-in-class PEOs generate less than 15% of revenue from any single client.
- A high concentration means that one client walking away could materially impact your business.

Bonus: Industry Mix Matters Too. Industry mix matters: buyers favor exposure to sectors that weather economic uncertainty without major churn.

- Diversification into stable, low-volatility sectors strengthens your revenue profile.
- It's not just how many clients you serve — it's the industries they represent.

Tracking KPIs is not just for buyers. Focusing on the same metrics they do won't just improve your readiness, it will strengthen your operation from the inside out. KPIs like these can inform your internal dashboard, giving you a navigation system for clear skies or stormy weather alike.

VALUATION READINESS AS A CULTURE SHIFT

Bottom line: clean financial hygiene leads to valuation clarity. Tracking the right KPIs will sharpen your decision-making and keep you ahead of potential pitfalls long *before* due diligence arrives.

But valuation readiness is not just a checklist, it's a mindset, a culture shift that starts with leadership and reaches through every layer of an organization. From how you structure client service agreements, price your services, and allocate costs, to how you report, forecast, and grow — valuation readiness drives long-term stability.

While this article focuses on key financial metrics, we also encourage PEOs to consider broader readiness disciplines, including a well-defined client service model, proactive vendor oversight, consistent tax strategies, and operational systems built to scale. These are the silent, compounding factors that set top-tier PEOs apart.

Wherever you are on your journey, we hope you lead with heart, build with clarity, and as always — fly safe. May the wind be at your back. ■

SCOTT SILVA

Associate
Silva Capital Solutions, Inc.
Marietta, GA

WANDA SILVA

President & CEO
Silva Capital Solutions, Inc.
Marietta, GA

OVERCOMING FINANCIAL CURVEBALLS

BANKING AND PEO: A HOME RUN RELATIONSHIP

BY MATTHEW ROBERTS

As we approach Independence Day, most Americans find themselves gravitating toward the familiar. Few things in life are more American than freedom, mom's apple pie, baseball, and the haunting feeling when you ask yourself: "did that payroll go out on Thursday since Friday is a holiday"?

As a baseball coach and father of young players, I find myself in many discussions over the rules of baseball; a game in which there are as many interpretations as there are rules. As the game evolves and grows, the rules change to suit the demands of its stakeholder base. This includes owners, players, staff, and fans. Throughout its rich history, the rules governing the game have increased in number and complexity to cover a variety of situations. The same can be said about the relationship a PEO has with its bank as the number of worksite employees (WSE) increases and banking regulations change with the times.

An evolving labor market has caused the risk landscape to shift for PEOs, and it has never been more difficult to manage. PEO practitioners need to be able to focus on solving their client's needs without having to worry about the complexity of banking regulations and what seems like an endless battery of questions. Grappling with these requirements is simplified when the "why" behind all the questions becomes clear.

SO, WHY DOES YOUR BANK ASK SO MANY QUESTIONS?

When opening a bank account, most questions from your banker should be meant to ensure the needs of the PEO are being met. Others stem from the regulatory environment and an attempt to reduce financial crime. You will be asked for information about your business, its ownership structure, who will have authority over the account, where your business is registered, and verification of all this information. Additionally, your bank will want to understand the type of accounts you will need, the projected activity, financial profile, how you want the money to move, and how the confirmation of the money movement is communicated.

All banks are subject to intense regulatory scrutiny due to the ripple effects of a bank failure across the financial system. However, banks vary significantly based on asset size, business models, services offered, funding sources, and risk appetite. As a result, regulatory requirements are tailored to the specific institution. Asset size is a key driver of the regulatory framework. Certain regulatory exemptions and heightened expectations come into play as banks cross specific asset thresholds. Additionally, audit activity and enforcement actions can significantly influence a bank's governance, compliance practices, third-party oversight, capital planning, and risk management. The cost of facing an enforcement action—or alternatively, building a compliance program strong enough to prevent one—can disproportionately impact smaller institutions. This reality shapes what your bank expects to see when evaluating your business. The governance structure they require will reflect their own risk appetite, the strength of their internal governance program, and the expectations placed on them by regulators.

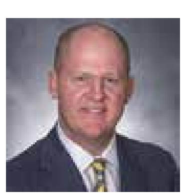
As banks grow, so do the regulatory expectations placed upon them, which helps to support improved risk management, enhanced customer protection, and greater safety and soundness. Effective governance not only strengthens the individual bank but also the broader banking system—and, by extension, your business. When your bank requests incorporation documents, policies and procedures, audit reports, or other

documentation, they are assessing how well your business aligns with regulatory expectations. Meeting these expectations strengthens your business and positions it as a vital contributor to the soundness of the payments ecosystem. As you grow, consider your bank's capacity and willingness to grow with you—and anticipate how regulatory rules, expectations, and controls will evolve as you both scale.

The same trends in the PEO space which are driving risk complexity in other areas can also lead to increased fraud attempts and require enhanced banking controls. Credential based attacks (i.e., stolen/compromised credentials and business email compromise attacks) continue to be on the rise and are taking longer to identify and contain. Fraud is a leading cause of financial loss and banks need to ask questions to help prevent it and other financial crimes. Answers to questions such as who will have access to your accounts, how will you access your accounts, what fraud prevention controls are in place, and whether there is a culture of awareness at your organization will have an impact on how fraud risk is mitigated.

Traditional payment methods have various and sometimes recurring instances of attempted fraud. Partnering with your bank to understand the risks in your payments flow and implementing the latest technologies and practices will go a long way to help your PEO stay ahead of the fraudsters. Multi-Factor Authentication, separation of duties, encryption, fraud detection software, appropriate ACH limits, positive pay and many other tools will help to mitigate the risk of your PEO getting bogged down in a lengthy fraud resolution process. It is important that the PEO and the bank understand one another's role in the effort to help prevent fraud and financial crime.

Trying to play baseball without clearly understanding the rules and the purposes they serve would lead to a lot of frustration and a game that is not very much fun at all. Banks ask questions to ensure your business needs are met, satisfy regulatory expectations, aid in fraud prevention, and facilitate information gathering. Questions lead to meaningful conversations. Hopefully, your bank understands the PEO business model, has the capability to arm your business with payment technology that enables your PEO to thrive, and helps you manage the inherent risks of high-volume payment origination. A bank that understands the industry can have the same impact that PEOs have on their clients, which is to empower the PEO to focus more on its core and less on regulations. It promotes a safe and sound PEO industry and overall payments ecosystem. In short, it allows us all to do what we love...PLAY BALL! ■



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> Banks ask questions to ensure your business needs are met, satisfy regulatory expectations, aid in fraud prevention, and facilitate information gathering.

FROM BACK-OFFICE BOTTLENECKS TO SCALABLE PROFITS: TRANSFORMING TREASURY OPS FOR GROWTH

BY ELI POLANCO & OYE FAJOBI

Every missed payroll, or bounced payment, doesn't just hurt a client relationship, it threatens the stability of a PEO's entire business. In an industry moving well over $300 billion a year, treasury operations are not just back-office tasks, they're front-line drivers of profit and scale. Payroll providers are often hindered by two key workflows: manual, error-prone bank payment processes and limited fraud and security protections.

MANUAL PAYMENT OPERATIONS INHIBIT SCALE

While payroll software for PEOs continues to evolve, most payroll solutions still lack direct bank connectivity or the ability to support faster payment rails like RTP and FedNow.

As a result, treasury teams lose valuable time toggling between bank portals, software, and spreadsheets, keying in data and uploading files manually. A similarly disparate and error-prone process is used to monitor payment statuses, handle errors and returns, and manage reconciliation. This has a domino effect—client service suffers when processors don't promptly communicate issues.

The bulk of payroll runs via wire/reverse wire and ACH—the former can be costly, complicated, and failure-prone, while the latter entails potential returns for up to 60 days after a payment settles.

PERSISTENT SECURITY GAPS

In addition to risk introduced by the aforementioned payment workflows, many PEOs are unable to comprehensively underwrite new clients because of the time and resources required. Thorough verifications—including EIN business verifications, account verifications, and watch-list checks for every client—simply aren't feasible.

As a result, smaller PEOs may fail to attain access to ACH and wire systems via banks because of an inability to prove sufficient compliance with NACHA and the Bank Secrecy Act.

Further, when PEOs can't easily tell which clients might bounce a payroll or submit late wires, teams are likely holding too much cash "just in case," losing hours to manual verifications, or getting hit with last-minute surprises that drive churn and lending covenants.

Bank redundancy is another concern. As the Cachet Financial and SVB crises also proved, over-reliance on a single financial institution can mean people don't get paid. As more PEOs pursue bank redundancy, widely differing bank processes and requirements make manual payroll more susceptible to errors and that much more challenging to secure.

In tandem, manual payment operations and risk assessment challenges stifle growth for PEOs—quite simply, payroll management practices threaten security, squander resources, and negatively impact client experience across the customer lifecycle for PEOs.

> **In an industry moving well over $300 billion a year, treasury operations are not just back-office tasks, they're front-line drivers of profit and scale.**

FIVE WAYS TO MODERNIZE TREASURY AND SPUR GROWTH

Luckily, with the right partners, processes, and technology in place, PEOs can unlock massive scale without adding overhead or taking on unnecessary risk. Centralized, automated payroll saves massive amounts of time and money, increasing speed and profitability, and shoring up security to enable growth via M&A.

Here are the top considerations for leaders looking to modernize their treasury function:

1. Choose the Right Banks

Quality bank partners should possess the infrastructure to support labor compliance and automation. What may seem like basic requirements—accepting HCM files, timely payment status visibility, late end of day cut-off, bill by wire processing etc.—are not offered by most banks.

At the very least, you'll want the ability to approve payments without making a required phone call, and post cash without checking a portal.

2. Explore Integrations

Selecting the right bank can not only help you meet client service terms but also open the door to increased revenue. Access to instant payment APIs and reporting can increase retention via features like last-minute payroll and faster, self-driven payroll corrections. Transaction-level reporting can shave over 90% off staff time dedicated to daily closing practices.

Access to banking APIs is instrumental for unifying payroll data and processes. The seamless flow of data through these integrations can give PEOs a centralized view of key metrics across banks—and sync without manual data entry into your payroll, tax, accounting, ERP, and CRM systems.

3. Automate Risk Detection

PEO treasury teams should approach security in a preventative—rather than reactive—way. This requires an automated engine that flags risk by client as soon as behavior changes, without manual review or spreadsheet exports. Teams should look to:

- Integrate real-time feeds for payment impounds, return codes, and settlement by transaction into a dashboard.
- Define simple rules to flag high-risk behavior, i.e., over two return codes in 30 days.
- Trigger a "hold payroll" recommendation if a client crosses a threshold limit.
- Feed hold decisions back into an invoicing and payroll system to plan for future client-level decisions.

4. Optimize Payment Routing

When PEOs route every payroll the same way, regardless of the client or timing, money and control are left on the table. Smarter payment routing is one of the easiest ways to reduce payroll costs and increase reliability.

To improve payment processes, PEOs should begin by assessing and tagging each client with a payment risk profile. If a client often wires late, for example, use reverse wire and only release payroll once funds arrive. If a client is consistently reliable, release their ACH on schedule and take advantage of the float.

If a new prospect has several liens or a company recently doubled in size, each deserves a change in tag. These tags can be automated through the above-mentioned risk engine—with technical resources you might stand this up in-house or choose an expert partner.

5. Explore Faster Payments

With an estimated 67% of Americans living paycheck to paycheck, the significance of RTP and FedNow cannot be overstated. When PEOs can support a client's request for emergency payments, as an example, or same-day payouts to gig workers, client experience skyrockets.

While faster payroll can clearly benefit end recipients, payment originators also stand to gain. Like wires and wire drawdowns, RTP and FedNow cannot be reversed or returned, offering an attractive alternative to ACH. These rails also operate 24/7/365.

With non-stop service and greater real-time insight into cash balances, faster payrolls allow PEOs to strategically approach cash flow, maximizing interest or float. Faster payments, however, reinforce the need for real-time bank data and alerts via APIs, since fraud and security risks also happen faster when payroll moves instantly and irrevocably. ■

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STAYING COMPETITIVE

The Rise Of Real-Time Payroll: What PEOs Need To Know About Instant Wage Access

BY JOE MIGNECO

In today's competitive labor market, PEOs are increasingly asked to help client companies do more than run payroll—they're being asked to help attract and retain talent, especially in high-turnover industries. One of the most urgent trends shaping this conversation: real-time payroll.

As workers expect faster access to their earnings, the traditional two-week pay cycle feels increasingly outdated. Employers, particularly those in industries like healthcare, hospitality, and staffing, are under pressure to offer earned wage access (EWA) and same-day pay options. Large payroll platforms have already taken steps in this direction, and PEOs will need to consider how they can respond—not in theory, but in infrastructure.

CHANGING EXPECTATIONS, TANGIBLE PRESSURE

The desire for faster pay isn't just a convenience, it's often a necessity. According to recent data from the Federal Reserve, a significant portion of U.S. adults would struggle to cover a small emergency expense. Many turn to short-term credit or payday loans to bridge the gap between work and payday.

Offering real-time or early wage access provides employees with greater control over their finances and can significantly reduce financial stress. Many employers see it as a loyalty-building tool: workers who know they can get paid quickly are more likely to stay longer and show up consistently.

This shift is why real-time payroll is gaining momentum—not just as a trend, but as a competitive necessity for employers and a potential differentiator for the PEOs that support them.

THE TECHNOLOGY THAT MAKES IT POSSIBLE

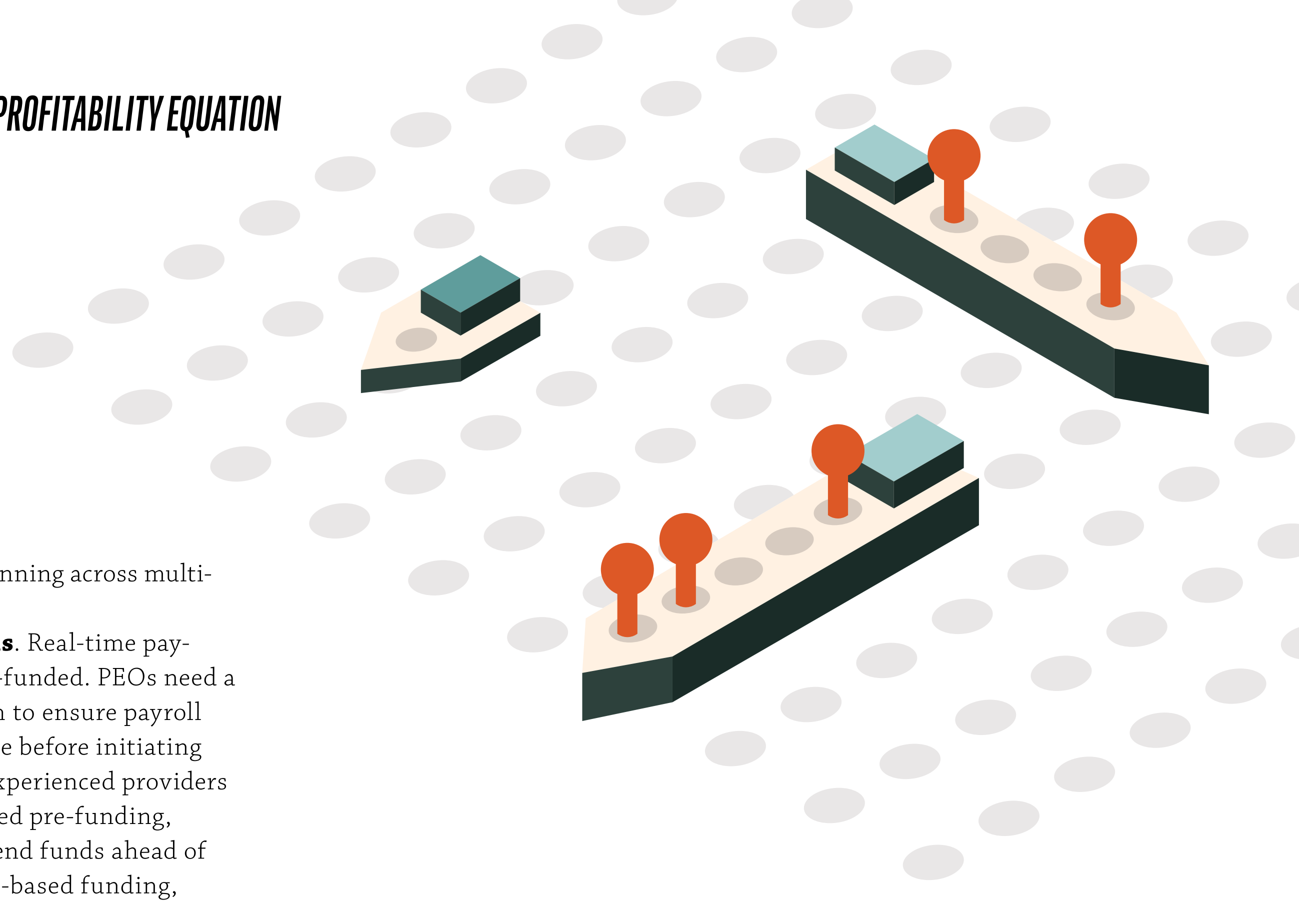
Real-time payroll is powered by two key innovations in U.S. banking: the RTP® network, run by The Clearing House, and FedNow®, the instant payment rail launched by the Federal Reserve in 2023. These systems allow funds to move between institutions within seconds, 24/7/365—including nights, weekends, and holidays.

The number of participating financial institutions is growing rapidly, enabling broader access to real-time payments across the workforce. However, this new capability requires more than just access to fast rails—it also demands new processes for liquidity, payroll logic, and settlement timing.

PEOs considering real-time payroll will need to plan carefully, or they risk building a system that adds complexity without delivering value.

WHAT PEOS SHOULD CONSIDER

Offering real-time pay involves more than just flipping a switch. While the benefits are clear, the implementation



requires careful planning across multiple dimensions.

Funding Models. Real-time payments must be pre-funded. PEOs need a reliable mechanism to ensure payroll liquidity is available before initiating payments. Many experienced providers now offer wire-based pre-funding, where employers send funds ahead of payroll and reserve-based funding, where a retainer balance is maintained and auto-replenished once it dips below a defined threshold. The reserve-based funding approach reduces disruption while providing the reliability required for 24/7 wage disbursement.

Employee Eligibility. Not all employees can currently receive instant payments. Eligibility is based on whether an employee's bank or credit union participates in RTP® or FedNow®. To manage this efficiently, some modern platforms include routing number intelligence that can automatically identify eligible employees and route others through fallback methods like Same-Day or Next-Day ACH. This logic ensures consistent, compliant pay delivery—without asking payroll teams to manually sort transactions.

Integration and Simplicity. Many PEOs hesitate to implement real-time pay due to concerns about complex file formats or workflow changes. But newer solutions allow PEOs to continue using their standard NACHA file, removing the need to build or support new file structures. For PEOs with proprietary software, API-based options allow for secure integration without overhauling the tech stack.

Working with a partner that prioritizes compatibility can significantly reduce rollout time and cost.

STRATEGIC ADVANTAGES FOR PEOS

Beyond employee satisfaction, real-time payroll offers measurable benefits for PEOs:

Client Retention and Differentiation: Offering real-time pay helps PEOs stand out, especially in industries facing labor shortages.

New Revenue Opportunities: Some PEOs bundle instant pay as a value-added service or premium feature.

Operational Efficiency: When employees have access to earnings in real time, support calls and payroll inquiries often decline—reducing administrative burden for client HR teams.

In other words, real-time pay can move the needle both financially and operationally.

PROCEED STRATEGICALLY—BUT DON'T WAIT TOO LONG

Real-time payroll is becoming a competitive standard. But jumping in without a clear roadmap can create unintended consequences. PEOs should look for partners who not only provide access to RTP® and FedNow®, but who also understand the funding workflows, eligibility logic, security controls, and compliance requirements specific to the PEO model.

Whether through a native payroll integration or a platform overlay, it's critical to choose a solution that minimizes disruption, uses existing file formats where possible, and scales with your client base.

The era of waiting for payday is ending. Real-time payroll is more than a feature—it's becoming an expectation, especially in industries that rely on flexibility and speed to compete for workers.

For PEOs, now is the time to explore the infrastructure, processes, and partnerships needed to support this shift. Those who plan early and execute with the right tools will not only meet client expectations—but exceed them. ■

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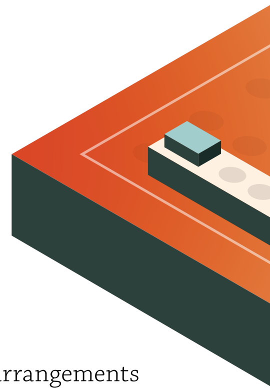
The Voluntary Benefits PEOs Need To Stay Competitive And Grow Revenue



BY JENNIFER KUSH

The market for PEOs is more competitive than ever, as numerous providers offer similar services and benefits while attempting to differentiate themselves.

Currently, focusing on employee engagement is key to helping clients build strong and motivated teams. According to Gallup's 2025 *State of the Global Workplace* report, global employee engagement has dropped for only the second time since 2009—a clear signal that PEOs must rethink how they support their clients' teams.

PEOs are uniquely positioned to help clients win at employee engagement by offering benefits that are not only attractive to employees but also deliver measurable business value.

In August 2024, we surveyed over 300 employees across several industries and generations, spanning Gen Z to Baby Boomers, for our report on the most in-demand voluntary benefits and perks. The survey respondents comprise a mix of hourly and salaried employees, representing remote, hybrid, and in-person workers from every region in the United States. This article highlights key findings from that research and explores today's most sought-after voluntary benefits—and how they solve problems and create ROI for PEOs and their clients alike.

VOLUNTARY BENEFITS: MORE THAN JUST OFFICE PERKS

Voluntary or fringe benefits go beyond the basics of healthcare, dental, and 401(k) plans. They are customizable, cost-efficient options that offer employees flexibility, enhance their quality of life, and build loyalty. For some employees, a benefits package is a more significant deciding factor than compensation when accepting a job offer.

91% of surveyed employees said that benefits are important or very important in their decision to accept a job. 47.4% of employees said they would consider taking a pay cut at a new job for better benefits.

For PEOs, these benefits are a powerful way to differentiate service offerings, meet the needs of diverse client sets, and attract and retain new clients in a competitive market.

1. PAID TIME OFF (PTO) AND FLEXIBLE WORK ARRANGEMENTS

Your clients are probably struggling with employee burnout and retention, given the global drop in employee engagement. According to our research, PTO and hybrid/remote work options were the top two most valued voluntary benefits, each chosen by 25.4% of the surveyed employees.

PTO and flexible work arrangements directly support work-life balance. For PEO clients, enabling better time-off policies or location flexibility can lead to higher morale and reduced burnout—factors that decrease turnover and absenteeism. Start small if needed—even seasonal flexibility, such as "Summer Fridays," can go a long way toward helping employees achieve a work-life balance.

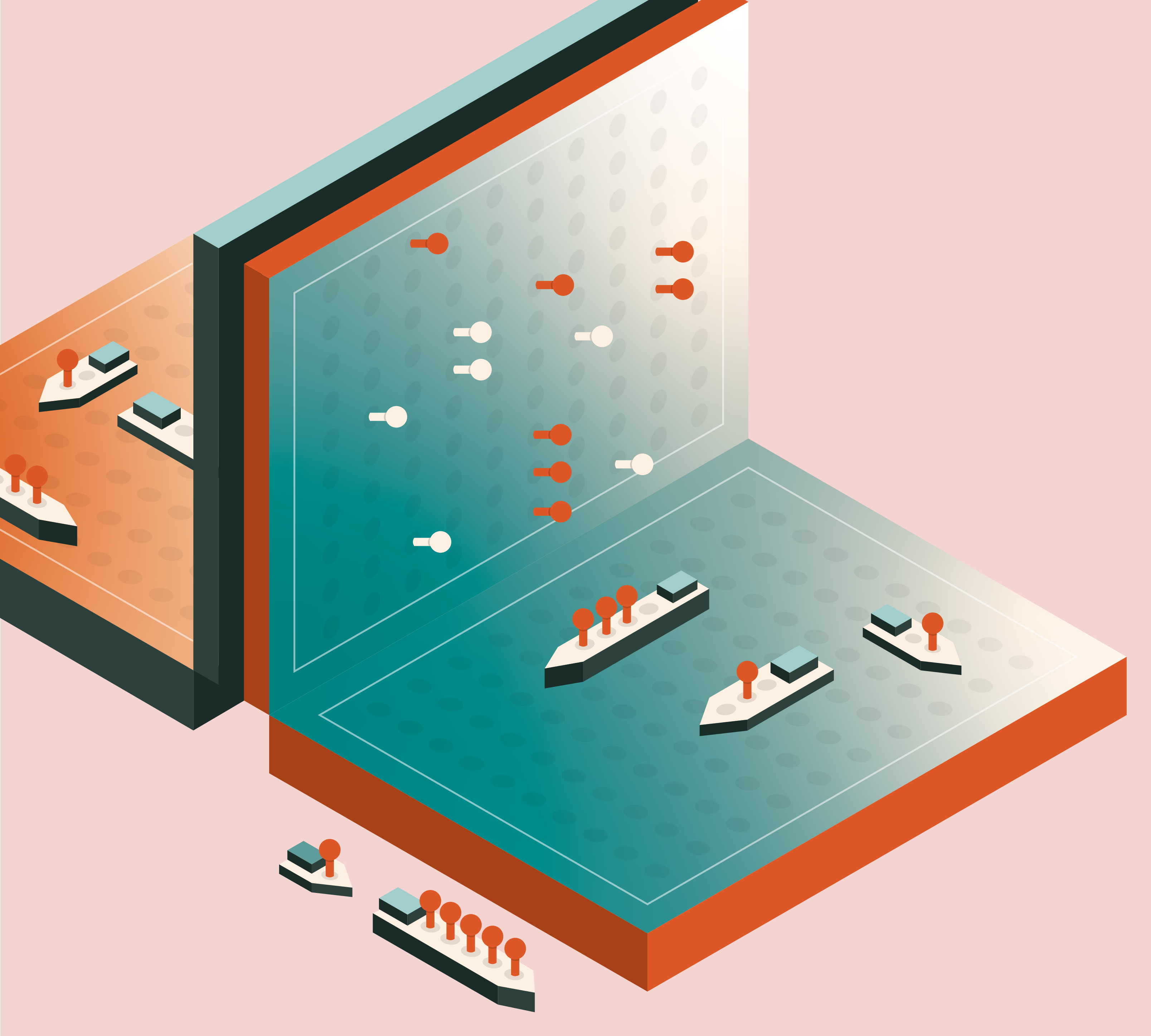
For PEOs, creating ready-to-launch flexible work policies for clients can position your services as a powerful asset in the war for talent.

2. MENTAL HEALTH SUPPORT

A drop in employee engagement can be attributed to many factors, but poor mental health continues to impact productivity. The Gallup 2022 Well-Being Index found that missed work due to unplanned mental health leave cost the economy $47.6 billion.

With 85% of surveyed employees rating mental health benefits important, it's clear that offerings like mental health days, mindfulness apps, and company-wide wellness initiatives would support the workforce—while also positively impacting company profitability.

Mental health support can look different based on different clients, but PEOs can offer: free or subsidized access



to mindfulness apps like Calm or Headspace, training for managers to spot the signs of burnout and anxiety in their teams, and increased access to or financial support for therapy and counselling sessions.

Promoting mental wellness isn't just good for employees—it fosters a more resilient and focused workforce, ultimately leading to improved performance. PEOs who champion mental wellness will not only build stronger client relationships—they'll create workplaces where employees can thrive, innovate, and stay longer.

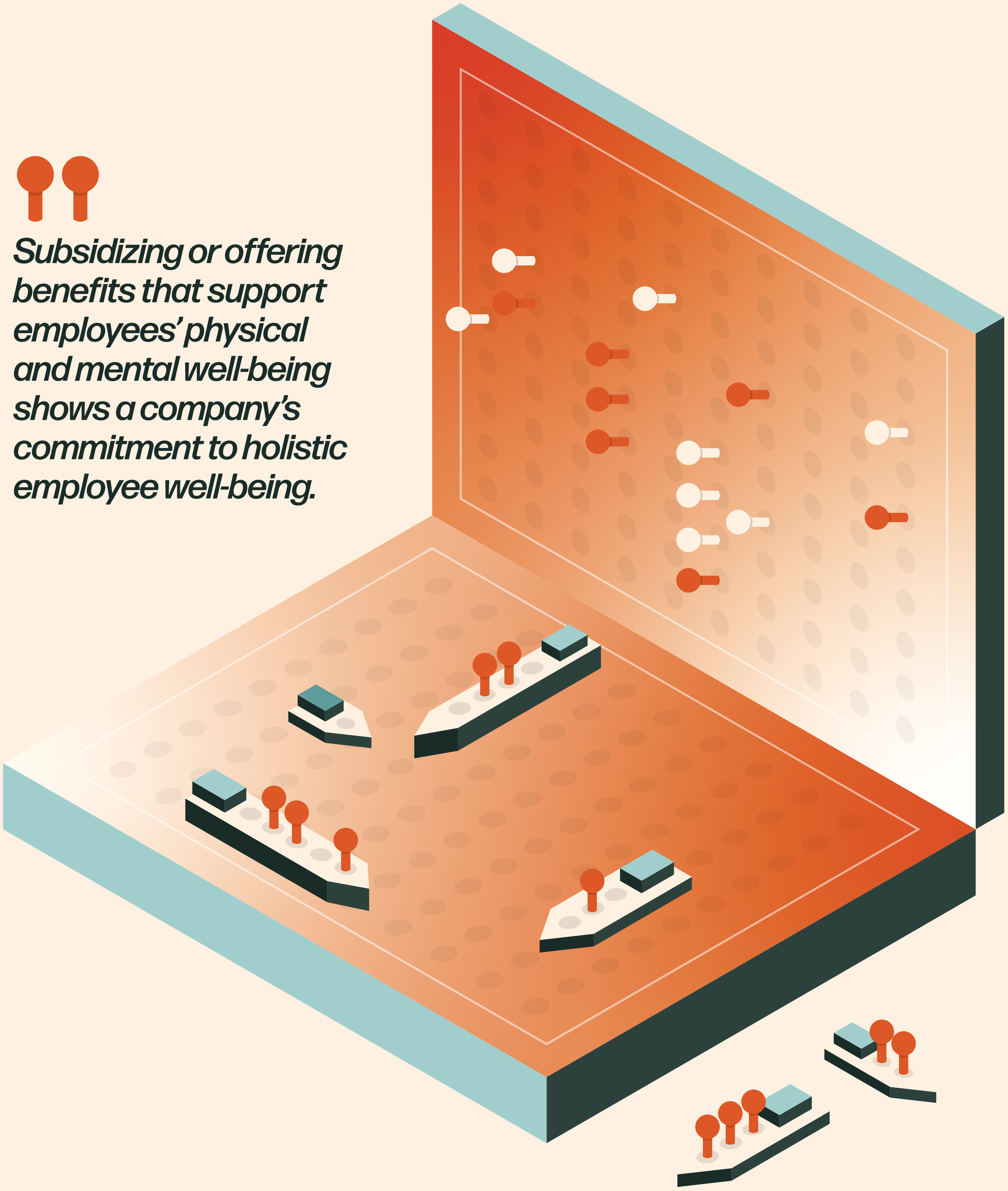
3. GYM MEMBERSHIPS AND WELLNESS BENEFITS

Wellness-related benefits are in high demand among today's employees, who are increasingly concerned about their holistic well-being. Businesses that demonstrate care will stand out.

Consider offerings such as:

- **Subsidized gym and fitness club memberships.** These are the top benefit that our survey respondents wish they had access to. 20% of surveyed employees chose gym memberships as one of their top wish-list benefits.
- **On-site or virtual classes.** These can help employees build time for mental and physical health and fitness into their workdays.
- **Wellness stipends.** These can be used for employees' wellness expenses of choice.
- **Company-wide fitness challenges.** Include rewards for participation and engagement.

Subsidizing or offering benefits that support employees' physical and mental well-being shows a company's commitment



Subsidizing or offering benefits that support employees' physical and mental well-being shows a company's commitment to holistic employee well-being.

to holistic employee well-being. For PEOs, this could also lower long-term healthcare costs and promote higher engagement and productivity, which, in turn, improves client loyalty.

4. FINANCIAL WELLNESS TOOLS

In ZayZoon's State of Employee Financial Wellness report, over half of employees reported daily financial stress. The stress is primarily coming from the pressure to cover necessities—73% of respondents stated that covering bills, rent, and groceries is their primary financial stressor.

Financial stress doesn't clock out when employees clock in for work—it stays with them and impacts productivity and engagement. 43% of employees say financial stress impacts their focus at work. PEOs can offer financial wellness benefits that support employees' short and long-term financial goals

In our survey, financial wellness benefits ranked as the fourth most valuable benefit for today's employees.

Here is what financial wellness benefits can look like.

- **Financial education programs:** Provide employees with the necessary skills and coaching to navigate tricky topics like budgeting and saving, student loan payments, retirement planning, and more.
- **Earned wage access (EWA):** Allows employees to access already-earned wages ahead of payday, privately and without needing to involve a manager. 63% of workplaces report increased productivity after offering EWA, and 74% of employees said that having EWA available to them has improved their overall financial well-being and level of stress.
- **Bundled perks and discounts:** Offering access to savings on everyday expenses, such as groceries, gas, or medications, helps employees access essential items with ease.

By helping companies invest in their employees' financial health, PEOs can stand out to clients as forward-thinking and creative, especially as many of these benefits, like earned wage access, come at no cost to business owners.

5. REWARDS AND RECOGNITION

Recognition programs can be an important part of workplace engagement, with Gallup finding that employees who receive recognition are 5x as likely to be engaged at work.

Recognition, such as peer-to-peer platforms, service anniversary awards, employee awards, or even personalized thank-yous from leadership, increases employee engagement and satisfaction.

In order to create a lasting impact, recognition needs to be baked into an organization's everyday culture. PEOs can foster this culture by providing businesses with the tools and support necessary to integrate recognition into work life.

By offering benefits that make recognition frequent and embedding it into existing workflows, PEOs can offer a low-cost, high-impact solution that is proven to increase employee engagement and foster loyalty and enthusiasm across the board.

STRATEGIC TAKEAWAYS FOR PEOS

- **Differentiation through benefits:** Offering high-demand voluntary benefits and perks helps PEOs stand out as customizable and relevant in a crowded marketplace.
- **Retention and recruitment:** Businesses that leverage these benefits report higher employee satisfaction and lower turnover.
- **Cost efficiency:** Many voluntary benefits are low-cost or no-cost, compared to the financial impact of turnover and disengagement.

The modern workforce is evolving, and benefit expectations are evolving with it. The usual health, dental, and 401(k) are no longer enough to attract, motivate, and engage top talent.

For PEOs looking to stay competitive and drive results in a time of employee disengagement, voluntary benefits are more than employee perks. They're strategic investments in talent and profitability.

By adopting the top voluntary benefits and perks and keeping their offerings agile, PEOs can solidify their role as indispensable partners in business success. ■

JENNIFER KUSH

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KEENA: ALL IN ON PEO

BY CHRIS CHANEY

Shawn Weinberger, Sam Rathbun, & Christina Gerarde.

For more than 40 years, KEENA has been a trusted name in the Lake George region of upstate New York. Founded as a staffing company, KEENA has helped countless small businesses fulfill their workforce needs. Around 2001, the company added PEO services to the mix, although it was never a robust business line. That all changed a few years ago when Christina Gerarde took over the company from her mother. Like any new business leader would, she examined the state of the company and reflected on the type of services she wanted to offer. As she continued this process and spoke more with her team it became clear that PEO was the direction KEENA should take. That decision sparked a company transformation that's included a rebrand, many new team members and a strong commitment to offering robust PEO services and expertise.

ASSEMBLING A STRONG TEAM

Gerarde always thought joining the family business was in the cards, but her parents had a strict five-year rule. She had to first work somewhere else for at least five years before she was able to join KEENA. When she finally did join the company, she immersed herself in the business from top to bottom.

"I spent a lot of time learning and doing every role in the company, even running the front desk," Gerarde says, "I even delivered payroll back when I was in high school."

Learning and growing on the job is a hallmark of the KEENA culture. The company prides itself on the ability for employees to learn, grow and pursue new responsibilities. The KEENA leadership team is a prime example.

Josh Lyons joined in 2016 and grew into the role of finance manager. Shawn Weinberger joined in an operations role, but has been instrumental in KEENA's sales, marketing and re-brand efforts. Sam Rathbun rounds out the leadership

> *The entire KEENA team is a small, hands-on group of professionals who are deeply committed to serving their clients and supporting one another.*

team and serves as the general manager after initially starting on the staffing side of the business and in HR roles.

The entire KEENA team is a small, hands-on group of professionals who are deeply committed to serving their clients and supporting one another. As a small team with big goals, several core values underpin company culture and help make sure everyone moves in the same direction. After a lot of reflection and discussion, the team settled on these core values: collective responsibility, humble confidence, unwavering trust and respect, and effective communication.

"We relied on EOS [entrepreneurial operating system] to help develop these values with a lot of soul searching," Rathbun says. "We hire and evaluate performance based on these values. We believe we can teach you the right skills if you share these values."

Simply put, these values help create a collaborative culture where everyone supports each other. It helps make coming to work an enjoyable experience and creates an atmosphere that everyone wants to be a part of.

"This is the first place I've worked where I feel valued as a person first, and an employee second," Lyons says.

EMBRACING PEO

After having relied on EOS to help organize and modernize the business and working through leadership courses, Rathbun and Gerarde came to the realization that staffing was not a path they wanted to move forward on.

"Sam and I were in a meeting, and we made the decision to go all in on PEO," Gerarde recalls.

"It was clear that PEO most matched the direction we wanted to go in," Rathbun adds.

That's when the learning curve kicked in. Since PEO had been a stagnant line of business for so long, there was no company playbook or guide. The team had to learn a lot and get up to speed on industry best practices. They had to secure new partnerships and develop better benefits packages, too.

"NAPEO and the relationships we've made there have been incredibly helpful," Gerarde says, "We got everything we needed to put all the pieces in place."

There have been challenges along the way of course and new processes and procedures had to be created, but the biggest challenge is spreading the news about PEO. For most of its history, KEENA's clients fell within a 30-mile radius, but the company is now focused on growing outside this boundary and even branching into other states. The decision to undertake a company rebrand has helped boost KEENA's visibility and presence in the region.

The team didn't want to lose the KEENA name since it's so well known in the region, but the new logo helped spark a conversation about the new direction of the company. It represented a chance to bring new energy and renewed focus to the PEO offering.

The process has also included a new website, SEO program and partnership with a local marketing firm. Weinberger has led the charge on this effort, a reflection of the company's willingness to play to peoples strengthens and allow him to tap into the creative side.

It may be a new sales and marketing strategy, but it still emphasizes the company's roots as a community focused, hyper-local organization.

"We take a lot of pride in building real relationships with clients. It's a hospitality focused approach to provide deep support which has helped with growth and attracting new clients," Weinberger says.

This growth process and evolution of the company has been challenging, but also very rewarding. The team is united behind a shared vision and goals and deeply committed to helping everyone succeed. The team has come quite a long way in the last few years but knows there is a lot more potential in front of them.

"We went from truly not being able to sell PEO because we didn't understand it, to now believing in it. We know working with a PEO is best for businesses," Gerarde says.

The secret to KEENA's renewed success?

"These three team members deserve all the credit in the word for where we're at," Gerarde believes. ■

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2025 PEO Capitol Summit

May 20 - 22, 2025

The Ritz Carlton, Pentagon City
Arlington, VA

Thank you to everyone who attended NAPEO's 2025 PEO Capitol Summit to celebrate National PEO Week, and tell the PEO story on Capitol Hill. Join us next year, May 19-21, 2026.

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PEO CAPITOL SUMMIT 2025: REAL PROGRESS, REAL RESULTS

Several weeks ago, nearly 200 NAPEO members descended on Washington, D.C. to advocate for our industry and fight to protect our future. During NAPEO's annual PEO Capitol Summit we took to Capitol Hill to meet with lawmakers to urge support of H.R. 3223. This bi-partisan bill is a NAPEO-supported effort to clarify in federal statute that tax credit liability belongs with those who benefit from it, not a PEO. This effort has been a top priority of our federal government affairs team and represents a significant milestone in our advocacy efforts.

Our industry's presence on Capitol Hill was heard loud and clear thanks to everyone who took time to participate and help tell our story. There's more work to be done, but your work helped move the needle.

The event was also a chance to celebrate National PEO Week and all the good work PEOs do for small and mid-sized businesses across America. PEOs play a vital role in the lives of so many employees and businesses, it's certainly worth celebrating.

Of course, it wouldn't be a PEO conference without a healthy dose of legal and compliance education. The regulatory and compliance landscape is only growing more complex which presents an opportunity for PEOs to showcase value to clients, but also presents new challenges to mindful of. Our experts showcased their knowledge and experience with clarity and precision, helping everyone take home new lessons and information.

We were also lucky to hear from US Chamber of Commerce CEO Suzanne Clark who spoke about the challenges the business community faces. She called on us to work together to help bring solutions to the table.

It was whirlwind few days with palpable energy, excitement and optimism. Board Chair David Feinberg of Justworks remarked that all of the good things and accomplishments members heard about are the direct result of years of hard work, dedication and support from countless members. Let's keep moving forward and driving results. ■


Meet the Author!
Amie Remington, The Art (& Science) of HR
ART
HR


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PEO WEEK


STAY ENGAGED – CONGRESS DOES MORE THAN YOU THINK
Public Laws enacted by Congress

FROM REGULATORY CHAOS TO STRATEGIC ADVANTAGE: BEST PRACTICES FOR IMPLEMENTING NEW REGULATIONS

BY DEBORAH DHUY

In our tracking of regulatory changes affecting our clients across multiple jurisdictions, we've documented an average of at least 50 significant compliance updates annually—changes that can overwhelm even the most diligent business owners. One of the major selling points of a PEO for overworked administrators, in addition to payroll processing or benefits administration—is having experts who can help decipher the constant flow of regulatory changes and protect their business. As leaders in this space, we develop systematic approaches to turn regulatory complexity into competitive advantage.

As we move through 2025, regulations from the SECURE 2.0 Act taking effect provide the perfect case study to demonstrate effective compliance management in action. Below is an outline of how our PEO transforms complex regulatory requirements into streamlined client solutions through a practical framework which apply to any regulatory update.

UNDERSTANDING SECURE ACT 2.0: ENCOURAGING EMPLOYEES TO BUILD THEIR FINANCIAL FUTURES

One of the law's main purposes is to increase employee participation in employer-sponsored retirement plans. For brevity, let's examine one critical component: the mandatory auto-enrollment requirement for new plans. This provision requires any retirement plan created after December 29, 2022, to automatically enroll new employees at a contribution rate between 3% and 10%, effective January 1, 2025.

That single requirement generates numerous implementation questions. For PEOs supporting clients with standalone 401(k) plans, 403(b) plans, or clients participating in our MEP, this requirement creates both obligations and opportunities. Here's how we've put our regulatory management plan into action.

STEP 1: ESTABLISHING MULTI-CHANNEL INFORMATION NETWORKS

When SECURE Act 2.0 passed in 2022, our leadership took note, but like most regulations, we recognized the timeline between ratification and implementation would be long. The auto enrollment rule's proposed guidance wasn't published by the IRS until January 14, 2025—after the effective date—with the comment period ending March 17, 2025.

Rather than waiting for final guidance or relying on a single information source, we activated our multi-channel approach to gather information:

- Direct monitoring of IRS news releases and regulatory updates
- Active participation in law firm webinars and specialized newsletters
- Engagement with NAPEO regulatory updates
- Weekly consultations with our retirement partners
- Early testing of software platform updates and participation in implementation webinars

Leadership Insight: Each vendor is working in parallel on regulatory changes to update and produce their own solutions for businesses independent of the PEO. By working together with them, you can leverage those partnerships during their process to get customized materials created and assist in beta testing software, which creates stronger relationships with your vendors and better processes for your clients.

This diversified approach ensures we identify subtle interpretations and implementation challenges months before they impact our clients.

STEP 2: BREAKING DOWN DEPARTMENTAL SILOS

Auto-enrollment impacts multiple departments across our organization. Rather than allowing this knowledge to remain siloed, we established biweekly leadership meetings where our leaders share updates with representatives from:

- Implementation Team (for setting up new clients)
- HR Business Partners (who field client questions)
- Payroll Department (for coordination with onboarding)

- HRIS Team (for platform configuration)
- Business Development (for prospect client conversations)

Each department representative determines what information impacts their operations and distributes it to team members accordingly. For example, our business development team now confidently explains to prospects how rolling their existing 401K plan into our MEP won't trigger the auto-enrollment requirement because it isn't considered a new plan—a key selling point for our 401K solution that addresses a common concern.

STEP 3: CRAFTING STRATEGIC CLIENT COMMUNICATIONS

With our internal knowledge base established, we developed a tiered communication approach that delivers the right information to the right clients at the right time.

Tier 1: General Awareness (all clients): Brief overview of Secure Act 2.0 changes for 2025, clear guidance on determining if compliance is required, timeline of implementation with key decision points, and introduction to our retirement plan partners.

Tier 2: Preparation Guidelines (clients subject to requirements): Detailed implementation steps with timeline indicators, employee notification templates and communication strategies, and training materials for client administrators.

Tier 3: Implementation Support (clients actively adding the requirement): Direct communication with our TPA, FuturePlan, to verify eligibility and plan language, verification process for plan document changes and approval, step-by-step setup of auto enrollment in PrismHR and Vestwell, weekly quality checks with Vestwell to verify enrollment functionality, payroll system validation to ensure accurate implementation, and direct access to assistance for employees requesting to opt out.

Case Study: One of our new clients, running two schools in the middle of 2024, required a plan update to meet the auto enrollment requirement. They continue to be impressed with our knowledge and expertise while assisting them through a tricky mid-year move of their payroll and retirement plan.They have also praised our foresight as our partner worked with them on their new plan document which included the auto-enrollment for 2025, therefore, eliminating the need for an amendment and providing ample time for employee communications. The system change was completed flawlessly resulting in an informed and happy client.

Each communication tier provides precisely the right amount of information without overwhelming clients. We've been particularly careful to exclude our clients with fewer than 10 employees from unnecessary communications, as they're exempt from these requirements.

STEP 4: BUILDING A DYNAMIC KNOWLEDGE REPOSITORY

We recognize that auto enrollment information will be needed repeatedly as the system evolves and as new clients onboard. We've created a dedicated section in our knowledge base with:

- Recorded training webinars for internal staff
- Client-facing FAQs and educational materials
- Step-by-step implementation guides
- Technical documentation for platform integration
- Legal updates and interpretations from counsel
- Case studies of complex situations and solutions

This repository allows our Implementation team to educate new clients consistently, our marketing team to highlight our expertise in content creation, and our service team to quickly access information when client circumstances change, such as when a client adds their 11th employee.

STEP 5: CLEARLY DEFINING SERVICE BOUNDARIES

Perhaps most importantly, we've clearly defined what aspects of compliance we handle as the PEO and what remains the client's responsibility. We don't typically provide extensive assistance with plans outside our MEP beyond taking deductions, but we do send out general educational materials to those clients. Our standard client service agreement defines our HR support to include guidance and counseling on regulations, not legal advice.

This clarity prevents our well-meaning specialists from inadvertently taking on client risks while still providing excellent service. It also creates transparent expectations that build trust with clients.

RESULTS: TRANSFORMING COMPLEXITY INTO COMPETITIVE ADVANTAGE

By following these best practices, we've transformed what could have been a confusing regulatory change into a smooth transition for both our organization and our clients. The results speak for themselves as we have increased our MEP portfolio in the last two years by 21% and 26% respectively, tying our clients tighter into our model.

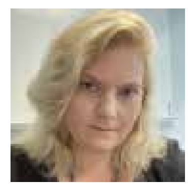
Our business development team now actively uses our retirement plan expertise as a selling point with prospects concerned about maintaining compliance.

LOOKING FORWARD: APPLYING THIS FRAMEWORK TO OTHER 2025 CHANGES

The framework we've established for auto enrollment demonstrates our template for addressing other significant 2025 compliance developments, including new state paid family medical leave programs, expanded pay transparency requirements, and evolving minimum wage and overtime regulations.

By applying these same five steps consistently, we've positioned our PEO as a true compliance partner for our clients rather than just a service provider, creating a meaningful competitive advantage in the marketplace.

Albert Einstein once said *"Strive not to be a success, but rather to be of value."* I believe that we can be successful by providing value to our clients. As the regulatory environment grows increasingly complex, PEOs that excel in compliance management will be those that create order from chaos, transforming what could be administrative burdens into strategic advantages. The most successful PEOs won't just help clients avoid problems—they'll use regulatory expertise to help clients thrive in complexity. I'm committed to ensuring our organization leads this evolution, setting new standards for what clients should expect from their PEO partnership. ■



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BUILDING BETTER RETIREMENT OUTCOMES:

BEST PRACTICES FOR PEOs SUPPORTING CLIENT PLANS

BY KRISTEN FRADIANI

More businesses are offering retirement plans—not just because they have to, but because employees expect it. For PEOs, that shift creates a clear opportunity: to help clients go beyond basic compliance and build retirement solutions that serve both their teams and their business goals.

State-sponsored programs have pushed this issue into the spotlight. But the real conversation for PEOs is about value—how to help clients offer plans that employees understand, use, and appreciate. Plans that improve financial outcomes and support long-term workforce stability.

So how do you get there? This article explores practical ways PEOs can lead on retirement strategy and bring meaningful value to clients and their teams.

WHAT'S CHANGING AND WHY IT MATTERS NOW

More than 30 states have either launched or proposed retirement savings programs. Most follow an auto-IRA model: employers that don't offer a plan must facilitate employee payroll deductions into a state-managed Roth IRA.

These programs are simple by design. But simplicity has trade-offs. Employers can't contribute, investment options are limited, and administrative support varies widely. That leaves room for PEOs to offer alternatives that better fit client goals.

As a PEO, you likely already manage payroll, benefits, and compliance for clients across multiple jurisdictions. You're well-positioned to fold retirement support into the broader HR ecosystem—and help clients make smarter decisions about plan design, communication, and execution.

FROM OBLIGATION TO OPPORTUNITY

State mandates can feel like one more box to check. But for PEOs, they're also a chance to lead smarter conversations about long-term financial wellness. When a client gets a state notice about mandatory retirement enrollment, the instinct is often reactive: What do we have to do? But what if the conversation shifted to: What's best for your employees?

Here's where PEOs can lean in.

Make plan selection intentional. Whether it's a simple IRA, a state-facilitated plan, or a PEO-sponsored 401(k), your clients need support understanding what each option offers—and what it doesn't. Match the plan to their workforce size, budget, and goals.

Simplify the employee experience. Employees don't enroll in plans they don't understand. Make it easy. Provide ready-to-use content and tools that explain how contributions work, why it matters, and how to get started—even if it's just $10 per paycheck.

Align payroll and systems. Retirement plan effectiveness lives or dies in the details. Payroll deductions must be timely. Contribution limits must be tracked. Plan data must stay clean. PEOs are uniquely equipped to make sure those details don't get lost.

FIVE BEST PRACTICES FOR PEOs TO SUPPORT RETIREMENT SUCCESS

PEOs are doing more than just managing risk. You're helping your clients build workplaces where people feel valued and supported. These five practices can move that forward.

1. **Know your clients' footprint.** State mandates vary. Keep a clear, current map of which clients are in which states and whether they're subject to participation. Even if a client offers a plan, documentation may still be required to claim exemption.
2. **Help clients compare options.** State plans aren't inherently bad—they're just limited. For a growing client, the lack of employer matching or limited investment flexibility may become a pain point. Be ready to explain how a PEO 401(k), MEP, or pooled plan stacks up in terms of cost, control, and employee experience.
3. **Build for engagement, not just enrollment.** Auto-enrollment continues to drive higher participation across retirement plans. According to Vanguard's *How America Saves 2024*, 61% of plans offered automatic enrollment in 2024—including nearly 80% of plans with 1,000 or more participants. For PEOs managing retirement plans that span multiple worksite employers, this trend offers a strong benchmark for plan design decisions.
   Participation is a strong start—but long-term engagement takes more than a default setting. Employees who feel confident about saving—and understand how their plan works—are more likely to contribute consistently. PEOs can support this by making retirement education a standard part of

onboarding, offering financial wellness tools, and helping clients foster a culture of long-term saving.

4. **Track performance and trends.** Use data to assess participation, average contribution rates, and opt-out patterns across client groups. Tracking can help identify where employees are engaged vs. where they're opting out, where deferral rates are strong enough to support long-term savings, and where automatic enrollment or escalation might need adjustment. Overall, identifying patterns can highlight where extra support or plan design tweaks might help.
5. **Remain flexible as the landscape shifts.** Legislation will continue to evolve. Programs will expand. Some states will form tech-sharing partnerships, while others may explore alternative plan designs beyond the standard auto-IRA model, such as pooled or group retirement plans that allow multiple employers to participate.

LEADING THE CONVERSATION

How a business approaches retirement benefits can say more than any policy or perk—it shows what kind of relationship they want with their team. For many small and midsize employers, offering a plan communicates that they care about long-term employee security. PEOs are in a prime position to make that promise real.

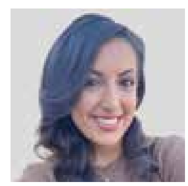
By staying informed, aligning the right plan to the right client, and providing practical support, you help clients deliver on their commitments to employees.

At the same time, you reinforce the value of the PEO model. Your ability to manage complexity, provide strategic guidance, and create integrated solutions sets you apart in a crowded HR services market.

A LOOK AT WHAT'S AHEAD

State mandates may be growing, and federal momentum is building—but at the heart of it all is a simple truth: people need real opportunities to build financial security. Access is a start, but it's not the finish line. What matters most is making saving feel doable, dependable, and built to last.

This is where PEOs can lead with purpose—helping clients not only meet new requirements but build retirement programs that last. The future of work depends on financial security. And that future starts now. ■



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CARVE-OUT ARRANGEMENTS AND OTHER CLIENT SERVICE AGREEMENT CHALLENGES

BY TORBEN S. MADSON, ESQ.

Recently, I had an opportunity to speak at the NAPEO Operations Workshop, held in New Orleans on April 8, 2025, on the topic of Carve-Out arrangements. My co-presenter was Paul Hughes of Libertate Insurance, a leading expert in workers' compensation insurance and PEOs.

I was pleased to see that we had standing room only for that presentation on the topic, since carve-out arrangements are so frequently used but often overlooked by the industry. It was the audience's participation in that session that led to me to want to write this article since the audience members were trying to help other PEOs by openly discussing their own client service agreement challenges. That discussion was a profound reminder of what an amazing industry we work in when competitors volunteer insights to help each other. It was clear from that conference and from several cases that I have been retained on that our industry has some fixable problems with carve-out arrangements that we need to address.

As background, for those who may not be familiar with the term carve-out arrangement, this is a term of art used to describe a PEO-client relationship in which the client maintains their own workers' compensation insurance policy. It is also frequently referred to as a client-based policy arrangement.

Although it seems simple, one of the most frequent issues that I have encountered is that many PEOs do not have a carve-out specific client service agreement. That means that the PEO is typically using a standard client service agreement, which, in most instances, indicates that the workers' compensation insurance coverage is through the PEO's policy, not the onsite client employer's policy of coverage. As a rule, when contracting with a client that will have its own workers' compensation insurance policy, there must be a client service arrangement that makes it clear that it is a carve-out arrangement. That client service agreement must clearly state that coverage is with the client and its carrier and not the PEO. A failure to have that specific carve-out language in a client service agreement can result in multiple issues. For instance, I have encountered cases where the onsite client's carrier has demanded to see the client service agreement between the PEO and their insured. When that carrier determines that the workers' compensation insurance coverage is listed in that agreement as being through the PEO's carrier, they quickly deny coverage on the claim. While that is a problem, the larger problem happens when the PEO's insurance carrier is presented with that denial and then declines coverage on the accident since the onsite client location was not reported to the carrier or referenced in the policy. That is not a situation that any PEO wants to be in. When that happens, the PEO better have excellent relationships with its insurance carrier, broker, and the onsite client company owner, because getting the problem fixed will rely heavily on their cooperation.

Although it seems simple, one of the most frequent issues that I have encountered is that many PEOs do not have a carve-out specific client service agreement.

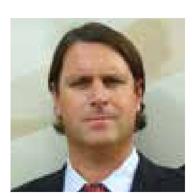
Many PEOs' sales and risk teams believe that once the client has secured their policy of coverage in a carve-out arrangement, then that is the end of their worries. Unfortunately, that is not the case, especially when the PEO usually does not have any involvement with that policy. In those instances, the client pays for the workers' compensation policy directly and deals with their carrier and/or broker directly. That may initially sound great to the PEO as it is one less thing to monitor. What happens, though, when the onsite client fails to make the payments on that policy, or if it gets cancelled? In this real-life scenario, the PEO can only hope that it will get notice of that cancellation, even in the best of relationships with the client. Without any notice of the cancellation, the PEO would continue to provide services while unknowingly doing so while bearing all of the risk should a workplace accident occur.

When possible, PEOs will want to get endorsed on the client's policy for extension of coverage. That would also create an avenue for notice of the cancellation of that policy. Unfortunately, that is not often practical since most insurance carriers are fearful that doing that opens the door to the risk of the entire PEO rather than just the worksite employees. The liabilities of carve-out arrangements can be complicated and is a subject that I have previously addressed in *PEO Insider®*.

Surprisingly, another issue of great importance deals with all client service agreements. Remarkably, especially in this age of the availability of so much technology to copy and preserve documents, an issue that I have frequently encountered is that many PEOs have lost their client service agreements. I know that many readers will read that and believe that it cannot happen to their company. I am just telling you that it can and that it does happen at PEOs of all sizes and sophistication. In a complex litigated case or one with high exposure, the loss of the client service agreement creates multiple challenges for your legal team, especially when your counsel is trying to get the PEO out of that exposure. The client service agreement is the foundation of the PEO/Client relationship and is essential in any effort to get the PEO extricated from litigation. When that client service agreement doesn't exist anymore, it creates significant logistical challenges to the PEO's legal team.

Another issue I have encountered that is just as troubling occurs when one party signs the client service agreement but not the other, or the agreement has not been signed at all. I was surprised how many hands went up at the Operations Workshop when I asked the audience if they had that issue with their agreements. It is surprising how frequently this happens. An agreement that is not fully signed is just a piece of paper, and it makes it easy for an attorney or carrier to argue that there was never any contract between the PEO and the client. Making sure that the client service agreement is signed and dated by both parties is vital. Accordingly, when client service agreements are reviewed, and any agreement is not fully signed, then the missing signature(s) should be secured. In addition, those agreements should also be electronically scanned and protected in your database in a manner that allows you to easily access those documents. This will also make it easier for your company at the time of any renewal.

As you can see, most of the issues discussed above can be avoided with a simple process in place. If your company does not have these processes in place, I would encourage you to do so. ■



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SMART RESPONSES TO TARIFFS AND CASH CONSTRAINTS

BY JOE CHEVALIER

With the new tariff policies dominating headlines, proactively managing risk is essential. Businesses must stay ahead of the turbulence by monitoring cash flow and acting decisively to protect the bottom line and customer relationships. Taking strategic action now may not fully insulate your business from the changing environment but may help mitigate some of the worst impacts and position you to respond effectively.

CASH IS KING

The most important step when facing uncertainty is to assess and protect your cash position. Tariff related disruptions, inventory purchases, or reshoring investments can quickly strain working capital. Without adequate liquidity the best laid plans are doomed to fail. That's why one of the first things turnaround consultants do in a crisis is implement a 13-week cash flow model. This tool is just as valuable for healthy businesses navigating uncertainty as it is for distressed ones.

A 13-week cash flow provides a rolling, short-term forecast of your business's inflows and outflows. It allows you to see when and where cash might get tight and helps guide decision-making around expenses, vendor payments, and customer collections. This visibility is crucial if you're preparing for unpredictable cost fluctuations or shifts in revenue due to market turbulence. There are many resources online discussing the methods of preparing these, but you are essentially detailing out your expected cash inflows and outflows on a weekly basis.

After gaining some visibility into the short-term forecast, start evaluating opportunities to free up working capital. Things like:

- Accelerating Receivables
- Negotiating extended payment terms with suppliers
- Pausing non-essential capital expenditures
- Securing or expanding credit facilities

When cash is tight it's easy to be reactive, but in the current turbulence you may need to act strategically, with confidence. Gaining visibility into your current and future cash position will help you make smart decisions for the long term.

DIVERSIFY SUPPLY CHAINS PROACTIVELY

Build Inventory Buffers. The first step that businesses should take when facing new tariffs is to build inventory buffers. Tariffs, particularly those resulting from political disagreements, may be resolved with new trade agreements and negotiations. By increasing your inventory of critical goods now, you can weather a temporary storm without immediately passing costs onto your customers. This buys you valuable time to implement longer-term strategies like nearshoring and reshoring, as well as time to communicate thoughtfully with your customers about necessary changes. Watch your cash position when building an inventory buffer and make sure you don't overextend yourself. Often, the cash flow can be a smaller cost compared to losing customers over sudden price hikes or missed deliveries.

Explore Nearshoring and Reshoring. If your business relies heavily on China or other regions subject to punitive tariffs, consider nearshoring to countries exempted from those heavier tariffs.

For businesses with resources and scale, bringing manufacturing back home may be even more attractive. While costs may initially seem higher, efficiencies in transportation, easier oversight, and a reduced risk profile can create long-term savings and customer goodwill. As you explore reshoring options, look for synergies in transportation, warehousing, and overhead that can make a domestic operation more viable.

Pursue Local Incentives. Don't navigate these challenges alone, there are many other local businesses in the same boat. Use your local associations and industry groups to lobby state and local governments for tax breaks, infrastructure support and other subsidies that can reduce the costs of domestic production or offset increased costs from tariffs. Many localities are eager to support job-creating reshoring efforts.

COMMUNICATE RISING PRICES WITH TRANSPARENCY AND EMPATHY

Pick Up the Phone. Whenever possible, call your key customers directly. Email announcements can feel cold and transactional. Phone calls show that you respect the relationship and are willing to invest time into a conversation. A call allows you to explain the situation with a personal touch.

It goes beyond communication. It's a real opportunity to build trust and deepen the relationship. Customers appreciate transparency, and hearing your voice reinforces trust far more effectively than a mass email ever could.

Everyone's Feeling It. Your customers are likely navigating the same pressures, from rising supplier costs to labor and logistics challenges. A little empathy can go a long way. Acknowledging this reality openly can defuse tension. Frame the conversation around shared challenges and mutual resilience.

OPTIMIZE INTERNAL COSTS TO PRESERVE PROFITABILITY

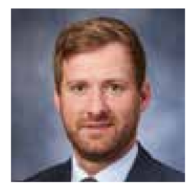
Consider Business Process Outsourcing. For roles that don't require a physical presence, consider offshore BPO for flexibility and cost savings. Flexibility is a major advantage of BPO. As your business adjusts to volatile market conditions outsourcing gives you the ability to scale staffing levels up or down without the commitments associated with hiring and training full-time employees. This agility can be invaluable when negotiating the uncertainty created by tariffs. BPO also offers substantial cost arbitrage; by tapping into global labor markets, you can often access skilled talent at a fraction of domestic costs. These directly offset tariff-related expenses on physical goods.

Scrutinize Discretionary Spending. Travel, software subscriptions, and entertainment add up quickly. Evaluate non-essential expenses to determine if each is delivering ROI or can be paused or renegotiated.

Be Intentional About Hiring. Hiring decisions matter more than ever during uncertainty. Before filling a vacancy or adding new roles, take a moment to pause and evaluate the real need. A simple mindset shift is to ask: Can we eliminate it? Can we offshore it? Can we automate it? If a role isn't mission-critical, you may discover that existing staff can absorb the duties or that the task is no longer even necessary. In other cases, the role may be a candidate for BPO. Finally, with AI on the horizon, explore opportunities to streamline processes with automation or by leveraging LLMs.

NAVIGATING CHANGE WITH CONFIDENCE AND CLARITY

Rapid change is always difficult to deal with, but it's also an opportunity. Responding quickly and thoughtfully can turn disruption into an advantage. Stay agile by protecting your cash position, making data-driven decisions, and communicating clearly with your stakeholders. ■



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RETHINKING THE PEO SALES FUNNEL

WHAT THE LATEST B2B BUYING DATA MEANS FOR YOUR GROWTH STRATEGY

BY DEAN MOOTHART

The world of B2B sales is undergoing a dramatic shift—and the PEO industry is not exempt. In fact, if your pipeline development strategy still relies heavily on traditional outbound tactics and seller-led conversations, you may be missing a significant percentage of today's buying activity.

According to the *2024 B2B Buyer Experience Report* by 6sense, today's buyers are more independent, better informed, and further along in their decision-making process before engaging with a sales rep. The data is striking:

- B2B buyers are nearly **70% through their purchasing process** before they ever speak to a seller.
- Buyers initiate **first contact in more than 80% of cases**—not the other way around.
- Approximately **85% of buyers have already defined their purchase requirements** before reaching out to vendors.

These statistics are a wake-up call for PEOs still relying on conventional sales playbooks. Let's unpack what this means—and how PEOs can evolve to meet modern buyers long before they ever pick up the phone.

THE PEO SALES PROCESS IS NOW BUYER-LED, NOT SELLER-LED

Historically, PEO sales have been driven by relationship-building and consultative selling, often initiated through cold calls or networking events. While these tactics still play a role, they're no longer the primary way buyers engage.

That buyers are 70% through their journey before speaking to a sales rep for the first time signals a major change: your prospects are researching independently. They're reading articles, reviewing comparisons, asking peers, and consuming digital content well in advance.

Implication for PEOs: If you're not visible in the digital spaces where research happens, you're invisible to your next client. Content marketing, SEO, and thought leadership—not just lead generation—must be foundational to your strategy. The earlier you enter the buyer's awareness, the better chance you have of making the shortlist.

PROSPECTS REACH OUT WHEN THEY'RE READY—BE READY

With over 80% of first contact initiated by the buyer, sales power dynamics have shifted. Rather than being "sold to," buyers arrive with specific needs and expectations—and they engage only when ready.

For PEOs, this makes it essential that your website (and your perspective on the challenges prospects are dealing with) are easy to find and easy to engage with—especially for buyers who prefer autonomy.

Implication for PEOs: Create low-friction pathways that help buyers self-educate. Offer a mix of gated and ungated resources that answer common questions and address objections before they're raised. Examples include buying guides, ROI calculators, buyer checklists, educational webinars, and industry-specific case studies. These tools let potential clients explore your value proposition at their own pace and build early trust—making it more likely they'll reach out when ready, on their terms.

WILL YOU GET A SEAT AT THE TABLE?

Perhaps most eye-opening: 85% of buyers have already defined their purchase requirements before speaking with a rep. This includes scope of services, compliance needs, technology platforms, and pricing expectations.

That leaves little room to shift a buyer's direction during a sales conversation. If your offering doesn't match—or is misunderstood due to unclear messaging—you may not even get a shot.

Implication for PEOs: Your website, social presence, and marketing materials must clearly communicate your offerings and differentiators before a conversation starts. Ask yourself: Can a visitor understand what makes your PEO unique within five minutes? Are your solutions clearly aligned with their size, industry, or stage of growth? These are the moments that determine whether you're considered—or passed over.

ALIGNING MARKETING AND SALES FOR THE NEW BUYER JOURNEY

This shift doesn't mean sales is obsolete—it means sales and marketing must work in lockstep. In a consultative industry like PEO, aligning both teams around a shared understanding of today's buyer is critical.

Here are four ways to bridge that gap:

1. **Collaborate on Content Development.** Your sales team knows the questions prospects ask. Use that insight to create proactive content—blogs, videos, webinars, white papers—that support each stage of the funnel.
2. **Adopt an ABM (Account-Based Marketing) Mindset.** Instead of casting a wide net, focus on high-fit accounts with personalized outreach, relevant content, and coordinated sales-marketing touchpoints. ABM makes you relevant before buyers engage.
3. **Invest in Buyer Enablement Tools.** Give buyers the tools they need to make internal decisions—think side-by-side service comparisons, implementation guides, or executive-ready summaries.
4. **Measure What Matters.** Go beyond lead counts and track engagement signals that reveal buying intent—time on key pages, repeat visits, downloads. These can indicate where a buyer is in their journey and guide smarter outreach.

FINAL THOUGHTS: MEETING THE BUYER WHERE THEY ARE

The PEO market is evolving—and so are its buyers. CEOs, HR leaders, and CFOs are doing their homework. They're informed, confident, and looking for partners who align with pre-set expectations.

Sales isn't going away—but it must become more adaptive, strategic, and marketing-informed. In many cases, your most effective sales rep is your content and online presence.

If you want to grow your book of business, stop chasing prospects—and start helping them find you. Because by the time they call, they've likely already decided whether you're a contender—or not. ■

DEAN MOOTHART

Director, Client Solutions
LeadG2
Florence, AL

AD INDEX

Boldface type indicates NAPEO Medallion Partner

2025 HALF-TIME REPORT

BY CASEY M. CLARK

As we head into the second half of the year, it's worth reflecting on the progress we've made so far. Just to hit a few highlights: we've completely turned the tide in Oregon on workers' comp. and UI reporting, celebrated the third annual National PEO Week, convened the first NAPEO Operations Workshop and NextGen Leadership Workshop, introduced a new strategic plan, and our PAC is on pace for a record-breaking fundraising year. As if that wasn't enough to keep us busy, we also just wrapped up our annual PEO Capitol Summit. In addition to providing quality legal education, this year's event offered an opportunity to advocate for the first pro-PEO bill to be introduced in the U.S. House of Representatives since the SBEA.

I appreciate all of you who came to Washington and took to Capitol Hill to push for H.R. 3223.

In mid-May, Reps. Mike Thompson (D-CA) and Beth Van Duyne (R-TX) introduced a bill which would codify in federal statute that tax credit liability belongs with those who benefit from it, not a PEO. We're optimistic this bill will be included in a year-end tax administration bill.

The introduction of this bill was a direct result of a sustained advocacy effort, including the strategic use of NAPEO PAC dollars. We're on pace to raise more money than ever in a single year thanks to the enthusiasm and commitment all of you share for advancing industry interests. I hope more of you will consider becoming involved with NAPEO PAC; we need all the support we can get.

Also on the legislative front, a bill in Oregon would codify existing PEO unemployment insurance reporting practices (and prevent a change to solely client level reporting). It has passed the House and the Senate and (at the time of writing) only awaits the Governor's signature. It will be signed by the end of June and effective September 27, 2025. This effort has been a labor of love, and I appreciate all of you who have stepped up and engaged in the process.

Speaking of member engagement, our inaugural Operations Workshop combined our previous Risk Management Workshop and CFO Seminar events into one big, beautiful event. The new format allows for improved content and educational programming and allows us to serve a wider segment of members. The event also featured our first NextGen Leadership Workshop which offered a forum for future industry leaders to network and learn from industry veterans. I look forward to seeing this initiative grow and encourage all of you in the NextGen group (under 45 years old) to participate. Stay tuned for 2026 location and dates!

The momentum and success we've seen so far this year reflects the energy that you and your peers bring to the association and industry.

The momentum and success we've seen so far this year reflects the energy that you and your peers bring to the association and industry. We've worked hard (with the board and leadership) to develop a new strategic plan to channel this energy and guide us forward the next few years. I'm confident the plan that our board unanimously adopted in May sets us up for continued growth and success. NAPEO HQ has been busy all year long, but here's to an even stronger second half!

CASEY M. CLARK

President & CEO
NAPEO
Alexandria, VA

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