

PEO INSID

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THIS MONTH'S FOCUS

ARTIFICIAL INTELLIGENCE

COMPLIANCE & RISK

IMPACT ON BENEFITS

TRANSFORMING
OPERATIONS

COVER STORY

COADVANTAGE

A COMPANY ON A MISSION

John Cumbee, CEO, CoAdvantage

THE SOURCE FOR PEO EDUCATION* 707 NORTH SAINT ASAPH STREET, ALEXANDRIA, VA 22314 WWW.NAPEO.ORG

VOL. 29 ISSUE 6

AUG 25

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make a fortune ...**



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– Leo Tolstoy



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► John Cumbee, CEO, CoAdvantage

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2025 ANNUAL CONFERENCE: THE VALUE OF SHOWING UP

BY DAVID FEINBERG

As we look toward this year's Annual Conference & Marketplace in Austin, Texas, I'm reminded of something simple but true: showing up still matters. In an era where virtual everything has become the norm, there's nothing quite like the energy of being in the room. And this year, that room will be filled with the people, ideas, and innovations shaping the future of our industry.

I encourage every member—whether you've attended for decades or this would be your first—to join us. Because what happens at the Annual Conference isn't just networking. It's community. It's learning. And it's a tangible investment in your business, your team, and the future of the PEO industry.

The agenda this year is stacked. We'll hear from expert speakers and seasoned professionals on everything from compliance and HR strategy to

technology, sales, and growth. AI will be a major topic—not just in the abstract, but in practical terms: How are PEOs incorporating it today? What risks and opportunities should we prepare for? And where can it deliver real value?

Beyond the sessions, the conference is an unmatched opportunity to expand your professional network. You'll connect with peers who understand your challenges and can offer insights that might just spark your next big move. You'll meet potential partners, discover new technologies in the exhibit hall, and have a chance to explore services that can help your business operate more efficiently and grow more strategically.

This is also one of the best places to engage directly with NAPEO leadership. Our board and staff will be on the ground, available to listen and share, and to carry your feedback forward into the work we do year-round. From



I encourage every member—whether you've attended for decades or this would be your first—to join us.

regulatory strategy to new member benefits, this is your opportunity to be part of the conversation and help shape where we're going.

If you're passionate about developing the next generation of PEO leaders—or becoming one yourself—your attendance helps make programs like NextGen possible. And if you've been following the inspiring work of our Women in NAPEO (WIN) initiative, the conference is where we celebrate their impact and push that momentum forward. You'll also get to be part of something bigger than our industry: each year, through the NAPEO Gives Back initiative, our community comes together to raise funds for a local nonprofit in the host city. This is a powerful reminder that our impact extends well beyond business—and your presence helps strengthen that legacy of giving.

In short, this event is where it all comes together. And we need you there. Whether you're driving policy, mentoring up-and-coming leaders, or simply looking to bring fresh thinking back to your team, the Annual Conference is one of the best tools we have to move our industry forward.

I promise you'll leave with more than you came with, and I look forward to seeing you there. ■



DAVID FEINBERG

2024-2025 NAPEO Chair
SVP of Risk & Insurance
Justworks

QUICK HITS

M&A

G&A PARTNERS ACQUIRES GROWTHFORCE

NAPEO member G&A Partners recently announced its acquisition of GrowthForce, a top-tier outsourced accounting firm known for delivering strategic financial management to service-based businesses and nonprofits. GrowthForce will merge with G&A Partners' outsourced accounting division to form an innovative financial operations platform.

"As a CPA at heart, I know the power of accurate, actionable financial data. The right people, supporting G&A Partners strong, vibrant culture, makes a profound business impact. Welcoming GrowthForce into our family is an exciting milestone. The company's deep accounting expertise aligns perfectly with our mission to help businesses thrive through smarter insights. Together, we're giving business owners the financial clarity they need to lead with confidence and purpose," said John W. Allen, G&A's president and CEO, in a release announcing the deal.

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.

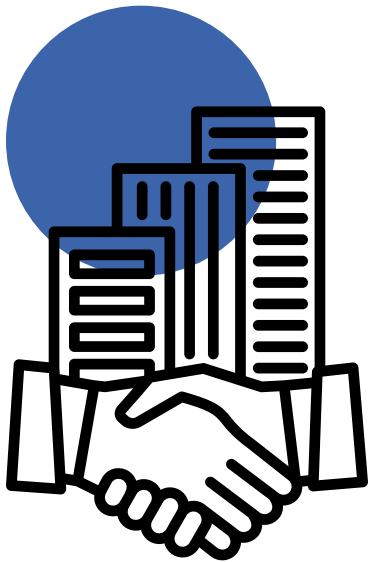
Learn more and register at napeo.org/annualconference.



KUDOS

VENSURE EMPLOYER SOLUTIONS HONORED AS FIVE-TIME STEVIE® AWARD WINNER

NAPEO member Vensure Employer Solutions has been named the winner of five Stevie® Awards in The 23rd Annual American Business Awards®. Vensure was recognized in the Low Budget Video, Motivational Video, Technology Executive of the Year, Achievement in Customer Satisfaction, and Conferences & Meetings categories. "It's an honor to be named Technology Executive of the Year and I couldn't be prouder that PrismHR was recognized for its Achievement in Customer Satisfaction. It has truly been my pleasure to lead the innovative team at PrismHR as we continue to advance our technology and prioritize customer engagement," said Kevin Andrews, president of PrismHR and chief technology officer at Vensure Employer Solutions, in a news release on the awards.



CONGRATULATIONS

COADVANTAGE COMPLETES MERGER WITH PRIMEPAY

Aquiline, a private investment firm, recently announced the successful completion of the strategic merger between two of its portfolio companies: NAPEO member CoAdvantage and PrimePay, a payroll and human resources software business. “The benefit of joining forces between CoAdvantage and PrimePay in the human capital management (HCM) industry enables our combined business to

provide a full range of self and full-service solutions, from standalone payroll to fully outsourced Human Resources, benefits, risk management and insurance solutions. “Our customers will not only have greater flexibility and access to both platforms and suites of solutions, but they will also be positioned to take advantage of our expanded HCM expertise which will allow them to focus on driving business value and enhancing growth,” said John Cumbee, CoAdvantage chief executive officer, in a release announcing the merger’s completion.

DATA

NEARLY HALF OF WORKERS HAVE THOUGHT ABOUT QUITTING OVER ETHICAL CONCERNS

Resume Now’s Ethics Fallout Report found that many employees lack faith in their employer’s ability to adhere to company values. Nearly 1 in 2 workers (47%) say they’ve thought about quitting because their employer’s actions didn’t match its stated values. Another 36% say they’ve stayed silent about unethical behavior to protect their job.

Other key findings include:

- 21% admit they’ve lied to protect their image or job
- Only 26% would definitely report an unethical boss
- 21% saw retaliation after someone spoke up about an ethics issue



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AWARD SEASON

NOMINATIONS FOR DOYLE AWARD OPEN SOON

Keep an eye on your inbox for information on the nomination process for the 2025 Michaeline A. Doyle Award, the industry's highest honor.

Every year, the Michaeline A. Doyle Award is given to an individual who has provided exemplary leadership and service in devoting his or her time to association or industry activities on a local or national basis, with little or no previous recognition for these efforts. The award aims to recognize a person whose business philosophy is to help grow the industry, as well as his or her PEO. This award is named for a beloved former Napeo member who exemplified these characteristics in her work with our industry and association. Think of this award as a lifetime achievement award for an individual's commitment to our industry.

The nomination form will be open soon, so stay tuned. If you know someone who you think is especially deserving of this recognition, please consider nominating him or her. The Doyle award will be presented during Napeo's 2025 Annual Conference & Marketplace. For more information, contact Hannah Walker at hwalker@napeo.org.

PEO PULSE

Q1 2025 PEO PULSE SURVEY: INSIGHTS & TRENDS

Our quarterly PEO Pulse survey reveals key trends about the state of the PEO industry. Our Q1 survey showed:

- **Strong Revenue and Profit Growth:**

Roughly two-thirds of PEOs reported year-over-year increases in revenue and gross profit in Q1 2025. Revenue growth remained widespread (64% of firms saw higher revenues), while gross profit gains accelerated (68% saw increases, up from 56% in Q1 2024).

- **Broad Operating Income**

Improvements: Operating incomes rose for the majority of PEOs (about 68% increased vs. 23% decreased), a significant jump from a year ago. Most gains were moderate, indicating steady improvement in profitability across the industry.

- **Moderating Client and WSE**

Growth: Client base expansion has slowed compared to last year—nearly half of PEOs grew their client count in Q1 2025 (48%, down from 62% in Q1 2024), while very few experienced client losses (13%). Worksite employee counts per client were flat overall, with about a quarter of PEOs seeing increases and a similar share seeing decreases, and the rest stable.

- **Stable Internal Staffing:** Internal headcounts held largely steady.

About half of PEOs made no staffing changes, 29% expanded their workforce, and 23% reduced staff. Fewer firms added employees than in Q4 2024, but year-over-year the net staffing trend remains slightly positive.

- **Workers' Comp Claims Mostly**

Steady: Workers' compensation claim activity remained mostly stable. 42% of PEOs saw no change in claims, 27% reported fewer claims, and 31% experienced an uptick. Notably, the share with rising claims has grown since last quarter, though over a quarter of firms saw declines in claim volume.

PEOs continue to show strong optimism for workforce expansion in the year ahead. In Q1 2025, 71.0% of respondents anticipate a moderate increase in their number of worksite employees (WSEs) over the next 12 months, while 19.4% expect significant growth. Only a small minority anticipate no change (6.4%) or a decline (3.2%). The PEO Expected Growth Index was 4.07, signaling continued confidence in industry expansion and a positive outlook heading into the remainder of 2025. ■

There's a Reason More PEOs Use PrismHR Than Any Other Provider.

It's Called Partnership.

In the era of AI and advanced analytics, PrismHR is redefining what's possible by empowering PEOs with smarter tools and deeper insights. With innovations like Report Center, more HR outsourcers are turning to PrismHR to fuel growth, streamline compliance and elevate the client experience.



“We value the relationship. It's critical to our ability to scale services across many client types. We need a platform that gives us the flexibility to serve clients at the highest level.”

—Joe Dodgson, Chief Innovation and Technology Officer,
Prestige PEO

Prestige relies on PrismHR to scale with speed, support complex client needs and adapt as their business evolves.



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Dedicates 950+ developers to continuous HR technology innovation



Invests \$70M+ annually in advancing platform capabilities



Powers more than 100,000 organizations



Processes over \$100 billion in annual payroll



Serves 60% of the PEO industry

Innovation isn't just what we do—it's who we are.



With over 40 years of HR tech leadership, PrismHR isn't just keeping pace—we're redefining the industry. Join us at the NAEPO Annual Conference to see the future of HR outsourcing in action. Scan code to learn more.



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Using AI To Record Meetings: Data Privacy Risks PEOs Need to Know

BY KRISTEN FRADIANI

Artificial intelligence (AI) tools are changing how PEOs work. One growing trend is the use of AI notetakers—tools that can record, transcribe, and summarize meetings. They're helpful because they let people stay focused on the conversation instead of scrambling to take notes. And if

someone misses a meeting, they can still catch up on what was said.

But, before using AI to capture meetings, it's critical to think through the risks. Privacy laws and data protection must be top of mind. Because PEOs support both businesses and employees,



there's added responsibility around how data is handled.

In this article, we'll walk through the biggest issues to consider.

RECORDING MEETINGS: KNOW YOUR STATE'S CONSENT LAWS

Meeting recording laws vary from state to state. In some states, only one party on the call needs to consent to a recording. In others, everyone must give permission. If someone records a meeting without meeting the legal consent standard, the organization could face legal action—and so could its clients.

Here's what you should do:

- Confirm consent requirements in each state where your organization or your clients operate.
- Create a clear consent process for internal and external meetings.
- Train employees and managers on these consent rules.

It's also wise to communicate with clients about whether and how recordings are made—especially in joint meetings or collaborative spaces.

SENSITIVE DATA AND LEGAL RESPONSIBILITIES

AI notetakers can transcribe everything—names, payroll figures, strategies,

performance data, and more. If any of that information counts as personally identifiable information (PII) or confidential business data, you must treat it carefully.

There are both federal and state laws that govern how employee and consumer information can be used, stored, and disposed of. These may include: consent and notification requirements, limits on how long data can be retained, and laws specifically protecting employee data (such as Social Security numbers or disciplinary records).

Some state laws are strict about handling employment data, even if they're framed as "consumer data privacy" laws.

The regulatory environment is also expanding quickly. In 2024 alone, U.S. federal agencies introduced 59 AI-related regulations—more than double the number from 2023—and those regulations came from twice as many agencies¹.

This rapid pace of regulation makes it even more important for PEOs and their clients to stay on top of AI-related compliance—and to consult legal counsel to understand which laws apply based on their footprint and the types of data they manage.

EMPLOYEE USE OF AI: SET YOUR POLICY

It's not enough to think about AI tools used by the company. Employees may also

use AI to help with their work. That could include feeding information into public AI systems without realizing the risks.

Employers should decide their stance on employee use of AI. It could be:

- **Open use** (encouraged with guardrails)
- **Limited use** (allowed in some cases, with approvals)
- **Prohibited use** (banned completely for certain tasks or systems)

Whatever the stance, be sure to: train employees on what's considered confidential or proprietary, prohibit entering sensitive data into public tools, monitor use for compliance, and provide clear examples of what is acceptable and what is not.

ACCURACY, BIAS, AND QUALITY CONTROL

AI transcription tools aren't perfect. They may misinterpret accents, jargon, or industry-specific terms. They may generate summaries that are incomplete or misleading. In some cases, bias can sneak into outputs, even when demographic information isn't included in the input.

PEOs should:

- Review all outputs from AI tools before relying on them.
- Use deidentification processes to scrub sensitive data from records.
- Set up a quality control process to catch and fix errors.

AI transcription

tools **aren't perfect.**

They may misinterpret accents, jargon, or industry-specific terms.

- Ensure tools are tested for fairness and accuracy.

Errors in meeting notes or summaries can lead to serious misunderstandings—especially if decisions are being made based on inaccurate AI-generated content.

DATA STORAGE, ACCESS, AND OWNERSHIP

Once a meeting is recorded, the data doesn't just disappear. You need to decide:

- How long will recordings or transcripts be stored?
- Who has access to them?
- What happens if a third party (such as a client or vendor) was in the meeting?

Depending on the content, there may be legal requirements around retention, destruction, or even access to logs. Loop in IT and legal teams to make sure data is being handled correctly.

Also, pay attention to who owns AI-generated content. Some AI vendors claim ownership rights, or at least shared rights. This could create legal problems down the line—especially if the output includes client or employee information.

NEXT STEPS FOR PEO LEADERS

If your organization or your clients are thinking about—or already using—AI notetakers, consider these steps.

Get clear on recording laws by state. Some states need all parties to consent to being recorded; others only need one. Make sure your team knows the difference—and help your clients understand it too. It's the kind of thing that seems minor until someone makes a complaint or a lawsuit lands.

Educate clients on the risks of “open” AI tools. Platforms like Claude or ChatGPT might seem safe, but if someone enters private employee or client information, that data could be stored and used by the system indefinitely. That opens the door to serious privacy issues. If their team is using AI, they need clear guidance on what should be shared and what should not.

Help them build a policy. Most small businesses don't have the time or know-how to write an AI use policy—but you can help with that. Even something basic is better than nothing: what tools they can use, what data they're allowed to share, and who has access to AI-generated content.

Push for training. Ensure that both your employees and your clients' teams know what “confidential” really looks like in day-to-day work. That includes not putting performance issues, payroll info, or business plans into AI tools that might store or share that data.

Talk about data storage and access. If meetings are being recorded,

you need to know exactly where those recordings are stored, who has access to them, and how long they're kept. This becomes especially crucial when the conversation includes sensitive or legal topics—because how and where that data is stored carries legal risk.

Loop in IT and legal support.

Involve IT and legal early in the process. Many clients don't have those resources in-house, so they may not know what to look out for.

AI tools can absolutely make work easier, but they need to have boundaries. As their PEO, you're in the perfect spot to guide them—set expectations, share best practices, and even help them draft the policies they don't know they need yet.

It's one more way you show up as a partner, not just a provider. That kind of support builds trust and keeps clients with you for the long haul. ■

¹ Stanford HAI, AI Index Report 2025, p. 4
https://hai-production.s3.amazonaws.com/files/hai_ai_index_report_2025.pdf



KRISTEN FRADIANI

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AI Risk Governance For PEOs: Building Trust, Compliance and Competitive Edge in the Age of Automation

BY TIM SHAW

As technology advances, artificial intelligence (AI) presents both an opportunity and an obligation. With AI becoming more accessible and influential in the business environment and HR functions, now is the time for PEOs to take the lead on governance, risk mitigation, and responsible deployment, before regulations mandate it.

AI is quietly transforming how PEOs can deliver value, driving faster onboarding, automating compliance tasks, enhancing benefits analysis, and streamlining payroll, but along with efficiency comes risk. When partnered with AI and used in employee screening, compensation modeling, or compliance flagging, algorithms can introduce bias, erode trust, and invite regulatory scrutiny such as violations of the Fair Credit Reporting Act (FCRA). Recent headlines have shown how unchecked AI, used in hiring, credit decisions, or surveillance, can discriminate or malfunction, even unintentionally. These risks are not theoretical for PEOs, whose business model depends on trust, shared responsibility, and strict compliance.

AI governance isn't about slowing innovation but building it on a solid foundation.

WHY PEOs MUST TAKE AI GOVERNANCE SERIOUSLY

PEOs operate in a complex legal and ethical space: co-employment. You are not just a vendor; you share legal exposure and fiduciary responsibility with your clients. As AI is integrated into talent acquisition, benefits forecasting, and payroll audits, the risk calculus shifts.

Without guardrails, AI systems can deny employment opportunities based on biased patterns, misclassify benefits eligibility, trigger or create payroll errors, or become non-compliant with evolving and changing labor laws.

Governance adoption ensures your AI systems align with your clients' values: compliance, fairness, transparency, and human-centric service.

STEP 1: ESTABLISH AN AI GOVERNANCE FRAMEWORK

Start with an AI oversight committee tailored to your company's operations. Include stakeholders from:

- Compliance representative
- Legal counsel
- HRIS
- Data teams
- Benefits administration
- Client experience or account management

Designate an AI risk officer. This doesn't require a new role, but someone senior who can sponsor and oversee AI use from a cross-functional lens. Assign model owners to maintain transparency around data, assumptions, and testing, especially in any AI used for: Employee assessments, compensation recommendations, or document processing automation.

STEP 2: CLASSIFY AI RISK IN THE PEO CONTEXT

Not all AI is created equal. Use this tiered framework:

- **High Risk:** AI tools influencing hiring, disciplinary actions, or regulatory filings.
- **Medium Risk:** AI tools that inform decisions (e.g., survey sentiment analysis), but with human override.
- **Low Risk:** Internal automation (e.g., document summarization or chatbot FAQs).

This classification helps prioritize oversight and determine necessary safeguards.

STEP 3: PEO RELEVANT POLICIES AND STANDARDS

Develop written policies across the AI lifecycle:

Governance is not just a framework; it's a mindset.

Offer regular training on ethical AI to all employees, not just the technology teams.

- **Use case justification:** Review and clearly state the intended outcome of policies and standards.
- **Training data origin:** Analyze and ensure that data and datasets used for payroll, benefits, or hiring models reflect diversity and are client-agnostic.
- **Performance benchmarks:** Conduct client audits for accuracy across the various geographies.
- **Acceptable Use:** Implement policies that prohibit using AI for decisions involving protected classes or without human review.

STEP 4: RISK MITIGATION CONTROLS

Reviewing and mitigating risks is a critical component for PEOs:

- **Bias Audits:** Test tools for adverse impact using frameworks (i.e., IBM Fairness 360, Google's What-If Tool, Microsoft's Fairlearn, to name a few).
- **Explainability:** Any decision-support AI should be interpretable to clients and regulators.
- **Privacy and Data Protection:** Comply with the California Privacy Rights Act (CCPA), Health Insurance Portability and Accountability Act (HIPAA), and relevant labor laws.

Co-employment complicates this, so clarity is essential.

- **Security:** Review and study known hardened data pipelines to minimize and restrict access based on need-to-know, especially when handling sensitive client HR data.

STEP 5: MONITORING AND INCIDENT RESPONSE

Even strong systems can fail. PEOs should:

- Deploy monitoring dashboards for performance drift.
- Maintain a cross-functional AI incident playbook with legal, tech, and client service input to quickly address misuse, error, or client concerns.
- Review (and potentially obtain) systems that can help and support monitoring and incident reporting to improve overall compliance (examples: SecureAIs, Credo AI, Parity, or if using an existing HRIS system, ensure it has the capabilities to support this).

STEP 6: TRANSPARENCY AND DOCUMENTATION

Documentation builds trust:

- Keep "datasheets" for datasets: source, quality, constraints.

- Maintain model cards: summary, limitations, audit trails.
- Create client-facing summaries of any AI-enhanced services and their oversight mechanisms.

STEP 7: BUILD AN ETHICAL AI CULTURE

Governance is not just a framework; it's a mindset. Offer regular training on ethical AI to all employees, not just the technology teams. Encourage client engagement and help them understand how AI supports services and how safeguards are in place. Foster internal curiosity about emerging technologies and their implications for HR and compliance.

STEP 8: STAY AHEAD OF REGULATION

Laws are evolving fast: the European Union Artificial Intelligence Act (EU AI Act), U.S. Executive Orders (example: EO 14110, which is relevant to HR), and state-specific laws like New York's hiring bias audit law.

PEOs must monitor and track the various jurisdictions regarding specific regulations and requirements for client-assigned geographies. PEOs should also engage with and work as an industry association and within working groups to anticipate regulatory shifts and shape (or update) policies.

FINAL THOUGHTS: LEAD THE AI ERA, DON'T REACT TO IT

To ensure you build trust, compliance, and a competitive edge, leadership must take a proactive direction that aligns with PEOs ongoing work to educate, advocate, and equip businesses for long-term success. Member organizations are encouraged to use this framework as a baseline for evaluating and improving their AI readiness. AI governance must be treated as more than a tech issue; it is a strategic and ethical business imperative.

Let's define this future together. For PEOs, strong AI governance isn't optional. It's how you protect your clients, support your teams, and future-proof your business. Done right, AI becomes a force multiplier, not just in automation but in building brighter, fairer, and more resilient service models. The time to act is now. What steps is your company taking to build responsible AI? ■



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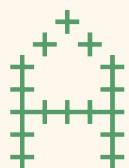




THE EFFECTS OF AI ON RETIREMENT SAVINGS AND THE PEO INDUSTRY

A RESPONSIBLE INNOVATION PERSPECTIVE

BY DR. RYAN AUNG



Artificial Intelligence (AI) will revolutionize the retirement savings PEO industries by enhancing efficiency, personalization, and strategic insights. As these sectors embrace AI, it will be vital to prioritize transparency, fairness, data privacy, and human oversight for building trust and achieving long-term success.

AI IN THE PEO INDUSTRY: STRATEGIC SUPPORT WITH ETHICAL GUARDRAILS

PEOs, which offer outsourced HR services such as retirement plan administration, can leverage AI to streamline operations, enhance support, generate strategic insights, strengthen compliance testing, and deliver personalized customer experiences. This drives greater efficiency and enables PEOs to deliver more value-added guidance to their clients.

However, PEOs must ensure that AI tools respect data privacy and are used in ways that support—not undermine—employee well-being. For example, predictive analytics used to assess employee turnover risk should not lead to discriminatory practices or unjustified surveillance. PEOs should implement responsible AI/data governance best practices, ensuring that client and employee data is used ethically and securely.

AI'S ROLE IN RETIREMENT PLAN PROVIDERS

Retirement plan providers are harnessing AI to significantly enhance operations, cybersecurity, and engagement. AI empowers plan sponsors to streamline compliance and helps employers optimize

contributions for improved retirement readiness. Third-party administrators can manage plans more efficiently, and advisors can offer tailored investment advice. Participants benefit from predictive analytics, personalized planning, and goal tracking that leads to better financial outcomes.

Recordkeepers are also embracing AI. It automates data entry for reconciliation, pinpoints participant behavior for better engagement, and bolsters cybersecurity by neutralizing real-time threats to safeguard sensitive information. Slavic401k's use of Copilot exemplifies this; it not only boosts operational efficiency—saving hundreds of employee hours—but simultaneously strengthens security against email threats, showcasing the power of integrated, secure business AI solutions.

Moreover, building trust in AI is paramount. This requires transparency, explainability, and human oversight. It is vital that AI systems undergo rigorous checks for bias through regular audits and diverse data, ensuring fairness and equity in every AI-driven decision.

ENHANCED PARTICIPANT EXPERIENCE WITH ETHICAL AI

AI can offer personalized retirement planning guidance based on a participant's financial profile, helping them make informed decisions about contributions, withdrawals, and investment strategies.

To ensure these benefits are equitably distributed, developers must prioritize inclusive design. This means creating interfaces that are user-friendly for individuals with varying levels of digital literacy

and ensuring that AI tools are accessible to people with disabilities and more importantly using a secure AI ecosystem that is suitable for data.

Data privacy is paramount. HR and retirement plan servicing involves processing sensitive financial and personal information. PEOs and retirement plan service providers must implement robust data protection protocols and comply with applicable regulations like Gramm-Leach-Bliley Act (GLBA) and State privacy laws to safeguard participant data.

BENEFITS FOR PLAN SPONSORS WITH RESPONSIBLE OVERSIGHT

Retirement Plan sponsors and employers can use AI to optimize plan design and administration. AI tools can analyze workforce data to recommend features like automatic enrollment or contribution escalation, improving participation and savings rates.

However, sponsors must maintain human oversight over AI-generated insights. While AI can identify trends and suggest actions, final decisions should be made by qualified professionals who consider the broader organizational context.

Sponsors should also demand algorithmic transparency from vendors. Understanding how AI tools function, what data they use and how your data flows is essential for making informed procurement and governance decisions.

AI AND COMPLIANCE TESTING: AUTOMATION WITH ACCOUNTABILITY

AI is revolutionizing compliance testing by automating complex tasks such as nondiscrimination testing, contribution limit checks, and eligibility tracking. This reduces errors and increases efficiency.

Yet, automation must not come at the expense of accountability.

Compliance-related AI systems should be auditable, with clear documentation of how decisions are made and what data is used. This ensures that organizations can demonstrate compliance to regulators and address any issues that arise.

Furthermore, AI systems must be regularly tested for bias and accuracy, especially when used in regulatory contexts.

AI-DRIVEN INVESTMENT CHOICES: INNOVATION WITH INTEGRITY

AI is enabling more dynamic investment strategies by analyzing market data and participant behavior and financial goals. In the near future, participants may gain access to AI-managed portfolios that dynamically adapt to evolving market conditions and individual financial objectives.

To ensure these tools serve participants' best interests, developers must adhere to fiduciary standards in algorithm design. This includes avoiding conflicts of interest, such as steering participants toward higher-fee products that benefit the provider.

Additionally, AI-driven investment platforms should offer transparent disclosures about how portfolios are constructed and managed. Participants should be able to understand the rationale behind investment decisions and the associated risks.

EMBEDDING RESPONSIBLE AI PRINCIPLES

To fully realize the benefits of AI in retirement and PEO services, organizations must embed responsible AI principles into every stage of development and deployment. Key practices include:

Transparency: Clearly communicate how AI systems work and what data they use.

Fairness: Regularly audit algorithms for bias and ensure equitable outcomes.

Privacy: Protect sensitive data with strong security measures and ethical data use policies.

Accountability: Maintain human oversight and ensure systems are auditable.

Inclusivity: Design tools are accessible to all users, regardless of background or ability.

These principles are not just ethical imperatives—they are business imperatives. Organizations that prioritize responsible AI are more likely to earn trust, avoid regulatory pitfalls, and achieve sustainable success.

THE ROAD AHEAD: BALANCING INNOVATION AND RESPONSIBILITY

As AI transforms retirement savings and the PEO industry—from personalized planning to automated compliance—it is not only reshaping service delivery, but also the values and practices behind it. To ensure these advancements protect financial security and human dignity, innovation must be guided by ethical responsibility. Embracing responsible AI ensures technology serves people—not the other way around.

Slavic401k is committed to this vision, not only embracing AI for operational excellence and enhanced cybersecurity but also prioritizing responsible AI governance to build trust and ensure beneficial outcomes for all. Expect to see continued innovation as we further integrate AI to improve service delivery and participant success in the evolving financial landscape. ■



DR. RYAN AUNG

Chief Information Officer
& Chief Security Officer
Slavic401k
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WHEN AI BECOMES THE ANTIDOTE

USING TECHNOLOGY TO HEAL WHAT IT BROKE

BY ANDY HAMILTON

++ The headlines are everywhere: “AI drives layoffs,” “Automation displaces workers,” “Technology eliminates jobs.” As artificial intelligence reshapes the American workforce, it’s easy to view AI as the villain in our employment story. But what if the same technology causing workforce disruption could also be the solution to helping displaced workers?

At When, we believe it can be the antidote too—using AI to support the very people its disruption has displaced. This irony isn’t lost on me as AI has become synonymous with efficiencies and headcount reductions. However, we can’t let the largest-looming headlines dictate perception. AI can and is a vehicle for solutions too.

But here’s the challenge: while companies leverage sophisticated AI to optimize their operations, the workers affected by these decisions face a different reality entirely. When someone loses their job, they’re suddenly thrust into navigating critical decisions about their future—including one of the most complex and consequential: healthcare coverage. Yet these same workers are left navigating the complex healthcare landscape with tools from the stone age: PDFs, phone calls, and hope. Meanwhile, PEOs managing master health plans watch helplessly as terminated employees default to expensive COBRA coverage, driving up claims and threatening client relationships.

This is where AI becomes a force for good even through the disruption it can cause.

The impact of applying AI to healthcare transitions goes far beyond individual convenience. By helping people identify subsidies and navigate complex healthcare marketplaces, we’re ensuring that job displacement doesn’t also mean healthcare displacement. In a country where medical bankruptcy remains a leading cause of financial ruin, this technology can be the difference between recovery and catastrophe for American families.

This creates a rare win-win scenario in an industry built on managing competing interests. PEOs can protect their master plan rates from expensive COBRA claims while providing genuine value to their clients’ departing employees. Displaced workers get personalized guidance to affordable coverage they might never have discovered on their own.

Critics argue that AI lacks the human touch needed for healthcare decisions. They’re right—which is why future-facing solutions combine AI efficiency and human expertise. Technology identifies opportunities; humans provide guidance and empathy that algorithms can’t. At When, our AI analyzes thousands of health plans to identify the best matches for each person’s unique situation, then our licensed, non-commissioned agents step in to guide the decision-making process. This approach allows our team to

focus entirely on providing personalized, empathetic support, armed with AI-powered insights that make their guidance more precise and valuable. It’s this marriage of technological capability and human care that creates truly transformative healthcare experiences.

For PEOs, this represents the future of value-added services. Instead of simply managing administrative tasks, you’re providing strategic solutions that protect both your business model and your clients’ employees. In an industry facing increasing commoditization, AI-powered benefits navigation is a true differentiator.

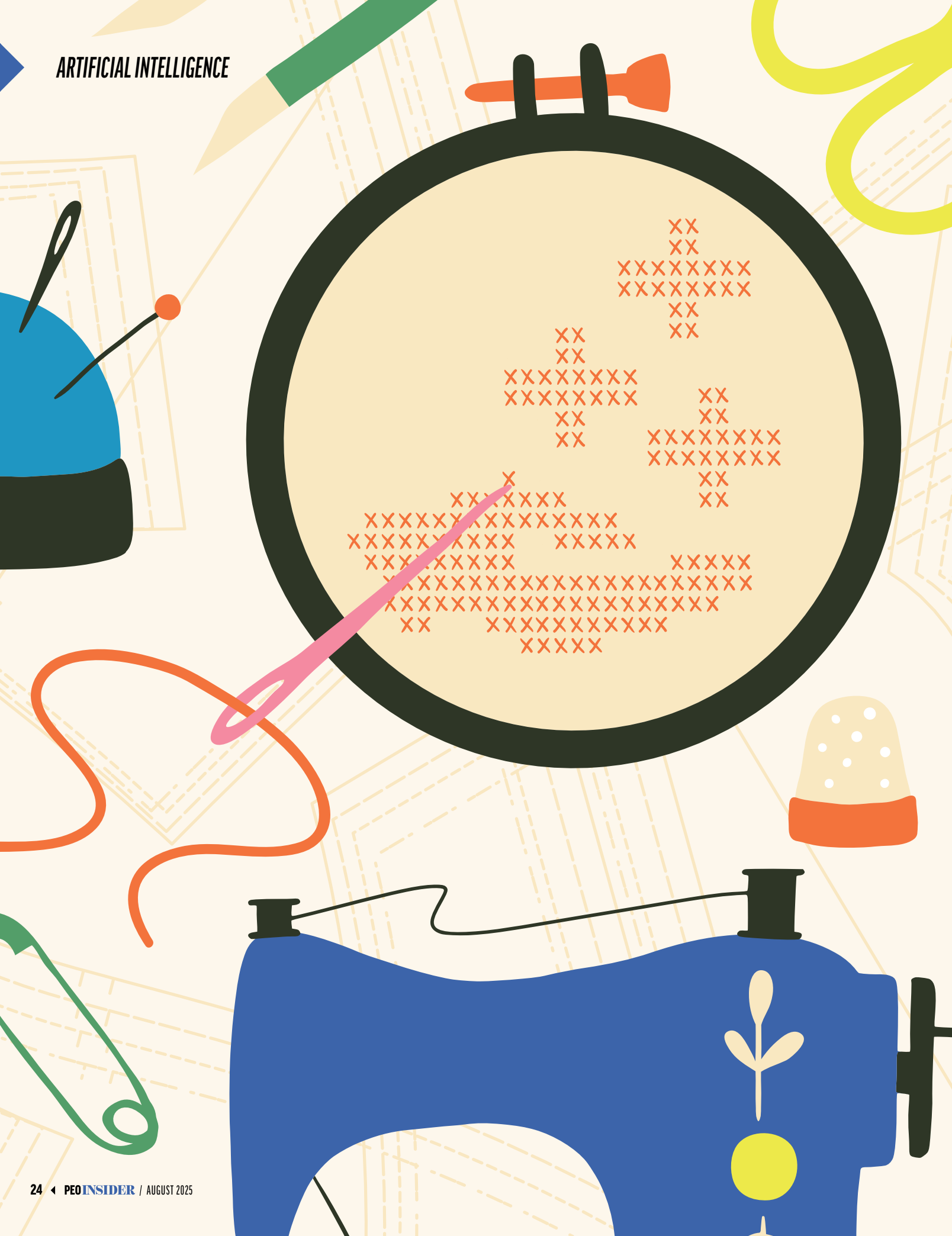
The narrative around AI doesn’t have to be dystopian. Yes, artificial intelligence is changing how we work. But it can also change how we care for each other during those transitions. By fighting fire with fire—using AI to solve AI-created problems—we’re proving that technology can be a force for social good, not just operational efficiency.

The question for PEO leaders isn’t whether AI will continue reshaping the workforce—it will. The question is whether you’ll be part of the solution or simply manage the aftermath. ■



ANDY HAMILTON

CEO & Co-Founder
When
Highwood, IL



YOUR BENEFITS COULD USE A DASH OF AI

RETHINK THE PEO EMPLOYEE BENEFITS EXPERIENCE

BY GUY BENJAMIN

I noticed it was broken within months of starting at McKinsey. My family was growing, and we had twins on the way. But navigating healthcare in the U.S. felt like a roller coaster — one where you get strapped in and those metal clamps keep you locked down until the ride has turned you inside out.

Whenever I had a question about health benefits, I'd get sent to a call center. Then I'd ask HR for help, and they'd refer me to a different resource. I tried digging up information on my own, but never got the clear, personalized answer I needed. It was all so complicated that we decided to have our twins outside the U.S., then fly back afterward.

If this confusion and frustration sound familiar, you're not alone.

The facts are sobering: 53% of employees regret their most recent open enrollment choices, according to an Equitable study. And a recent Aflac survey found employees who understood their benefits were much less likely to think they overpaid for health insurance than those who didn't. That's a wake-up call for PEOs managing benefits for hundreds of SMB clients: benefits decisions affect client satisfaction, retention, and your bottom line.

It's 2025. AI has come, and it's here to stay. Health benefits should be easy, accessible, and affordable. It should be enabled by the best technologies we have at our disposal.

The good news? AI is becoming fully integrated into every aspect of PEO operations, and its capabilities are continually expanding. It has already transformed HR functions by increasing efficiency and enabling more effective people decisions.

One thing is clear: when a client knows their PEO partner is powered by an AI-enhanced HR tech stack, you can improve client experiences across the board with enhanced ROI on benefits spend, reduced claims waste, year-round benefits utilization, and a

smarter benefits engagement. Think: more satisfying benefit choices, lower benefit costs, and improved employee benefits experiences.

HOW AI CHANGES LIVES

Before we talk AI and technology, let me share one of the countless stories I've heard from my clients that show why it matters that PEOs offer AI-enabled employee healthcare.

An employee needed an MRI scan. They had an appointment scheduled with a facility they'd used before. But they decided to check their benefits app quickly before going.

With AI-powered cost transparency personalized to their plan and deductible status, they found another nearby facility that charged over a hundred dollars less. Same quality care, significant savings. All discovered in seconds, not hours on the phone.

WHY AI HAS BECOME ESSENTIAL FOR MODERN PEOs

Look, PEOs have massive pain points when it comes to benefits rollout and year-long administration. That's why implementing high-impact, cost-saving measures like AI-powered benefits solutions can mitigate the economic forces threatening the modern PEO business model.

Consider open enrollment season. Depending on the size of the PEO, open enrollment may equate to multichannel communications campaigns for hundreds of thousands of employees at once. This means thousands of queries handled by call centers (which need staffing up during fall enrollment periods), where AI could help.

AI can digest a user's plan-specific information and give personalized answers much faster than waiting on hold. This allows PEOs to optimize call center operations and let their human specialists focus on the truly complex cases.

But the challenge extends beyond enrollment. PEOs manage and fund benefits across a massive book of business, but often lack the communication channels and benefits marketing strategy to engage employees year-round. AI-powered platforms can proactively prompt preventive care opportunities and surface ancillary benefits in a centralized platform. No more splintered point solution ecosystem.

24/7 DIGITAL BENEFITS GUIDANCE IS HERE

Remember those long hold times? Those confusing benefits booklets? They're becoming relics of the past.

AI-powered decision support tools help employees determine which benefit options are best suited to their budget and coverage preferences. By analyzing employee data such as claims history, demographics, preferred providers, and anticipated medical procedures, these tools help employees evaluate their options and make more informed decisions.

We're fundamentally shifting how employees engage with benefits, transforming them from confused healthcare consumers to well-informed decision-makers.

The impact on operational efficiency is game-changing. AI streamlines HR workflows by automating routine administrative tasks. From claims processing to benefits enrollment, AI-powered platforms reduce manual errors, cut down processing times, and free up HR teams to focus on strategic initiatives.

During open enrollment (that annual headache we all know too well), AI tools can facilitate proactive and frequent communication by delivering personalized reminders that are timely and relevant to each employee's needs.

FROM CONCEPT TO REALITY IN WEEKS

Now, I know what you're thinking: "This sounds great, Guy, but how long does it actually take to implement something like this?"

From my experience working with major PEOs in the benefits space, implementation timelines vary based on size. But here's what's remarkable: after initial setup, each new organization in your client base can typically onboard into an AI-powered platform within 8 weeks, with many experiencing faster times.

The key? AI actually speeds up the onboarding and launch process. Instead of manually configuring thousands of plan variations, AI can ingest and structure plan documents automatically. What used to take months now takes weeks.

MAKING AI WORK WITH EXISTING PEO SYSTEMS

One critical consideration for PEOs is how AI benefits navigation integrates with existing platforms. The good news is that modern AI platforms now plug into existing payroll and HRIS systems with minimal IT lift.

Whether you're using legacy payroll systems or modern cloud-based platforms, AI benefits navigation can typically integrate through:

- Real-time eligibility file syncing
- Automated plan document ingestion
- Single sign-on capabilities for employees
- Unified reporting dashboards

This integration means employees experience one cohesive platform rather than yet another login to remember. For PEOs, it means maintaining your existing workflows while adding powerful new capabilities.

THE HUMAN TOUCH: AI AS AN ENABLER, NOT A REPLACEMENT

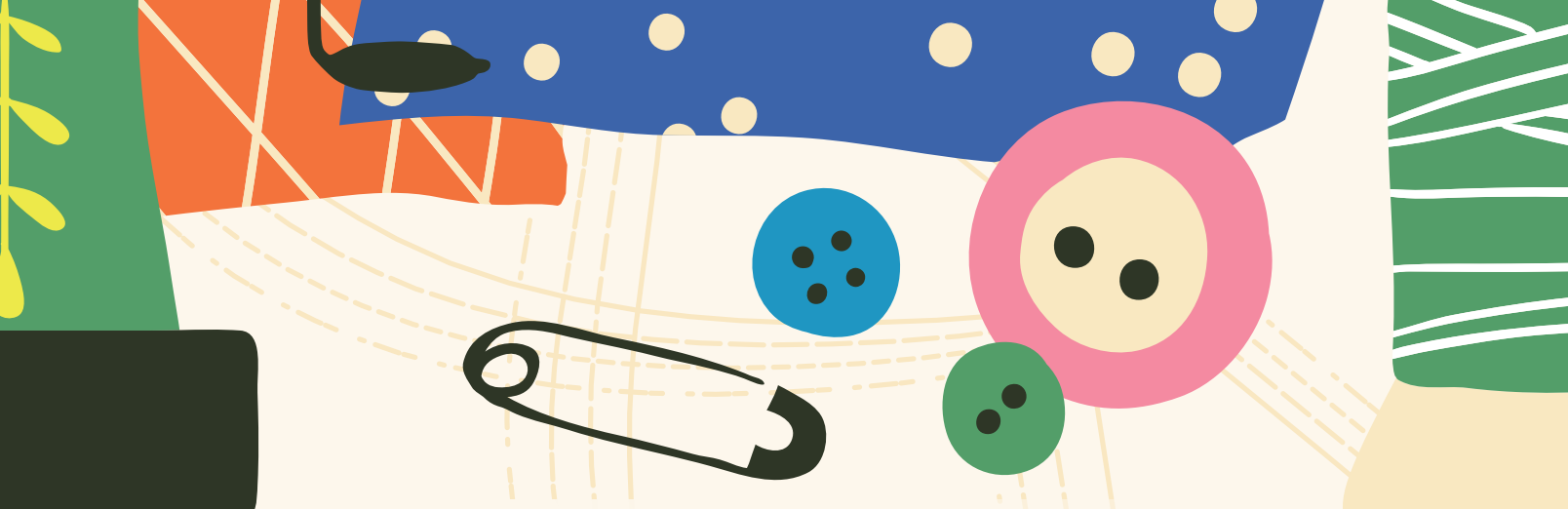
One concern I hear from PEO executives: "Won't AI make our services feel less personal?"

I'll be direct. AI is the avenue toward more elevated human touches. When AI handles routine benefits queries, it frees up benefits experts and call center staff to handle the truly complex cases that require a delicate touch.

But let's also remember that employees often want quick answers, anytime, anywhere. Call centers operating during strict business hours can't always deliver that. AI can.

More importantly, we're not talking about those frustrating robocall decision trees you get from your credit card company. Personalized AI in the benefits space is conversational, personal, and empowering. It's built on dynamic generative AI engines that understand context and nuance.

This creates the best of both worlds: PEOs retain the personal touch that



defines their competitive edge while optimizing operations and realizing financial savings.

WHAT REALLY MATTERS WHEN SELECTING AN AI PARTNER

When evaluating AI benefits navigation solutions, start by finding a vendor who goes beyond solution delivery and acts as a true partner. If you're giving AI to your employees, you need to trust the hands behind the wheel.

Critical requirements include:

- SOC 2 Type II certification
- HIPAA and HITRUST compliance
- PHI encryption at rest and in transit
- Proven scalability as your business grows

Remember: When dealing with benefits, PEOs step into their role as a co-plan sponsor with their clients. You're sharing fiduciary responsibility for plan management. You must entrust plan designs, open enrollment, and benefits experiences to a partner who can deliver on security while scaling with you.

FUTURE-PROOFING YOUR BENEFITS STRATEGY

As AI continues to evolve, PEOs need to think beyond immediate implementation. Consider these factors when selecting an AI partner.

Regulatory Readiness: Healthcare regulations change constantly. Your AI solution should have built-in compliance updates and the ability to adapt to new requirements without major overhauls.

Scalable Architecture: As your client base grows or shrinks, can the AI solution scale accordingly? Look for usage-based pricing models that align with your business reality.

Data Portability: Ensure you maintain ownership of your data and can export it if needed. This protects your long-term interests and maintains flexibility.

Continuous Learning: The best AI solutions improve over time. Look for partners who regularly update their models based on user interactions and emerging best practices.

YOUR NEXT STEPS AS A PEO LEADER

For PEOs ready to move forward with AI benefits navigation, here are your immediate action items:

Assess Your Current State:

Calculate your cost per benefits inquiry and average resolution time. This gives you a baseline for measuring AI impact.

Start Small: Consider piloting AI with a subset of clients who are early adopters. Use their success stories to drive broader adoption.

Set Clear Expectations:

Communicate that AI enhances rather than replaces your human touch. Lead with the employee benefits, not the technology.

Measure and Iterate: Track key metrics from day one. Use data to refine your approach and demonstrate value to stakeholders.

Think Partnership, Not Vendor: Choose an AI provider who understands

the PEO business model and can grow with you.

The path forward is clear. Organizations that embrace AI in benefits management will see reduced costs, improved employee satisfaction, and better health outcomes. The technology exists today. The question is not whether to adopt AI, but how quickly you can implement it to gain a competitive advantage.

Healthy employees are a strategic asset for a company. If employees are healthy, the company will be healthier, society will be healthier. And AI-powered benefits navigation is one of the most powerful tools we have to make that vision reality.

Partnering with a PEO skilled in AI implementation can help you deliver these solutions effectively, ensuring your clients' employees experience a seamless benefits journey all year long.

Together, we can unlock more affordable healthcare options, elevate the well-being of ourselves and our families, and save significantly on our healthcare costs.

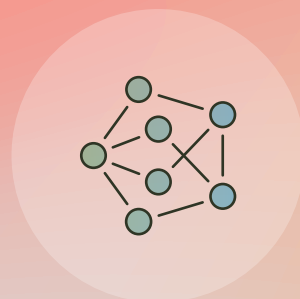
AI is not a future solution, it's the differentiator you need now. PEOs that embrace AI today will improve margins, client satisfaction, and employee well-being tomorrow. Will you be the PEO that delivers this AI impact? ■



GUY BENJAMIN

CEO & Co-Founder
Healthee
New York, NY

TRANSFORM OPERATIONS



MINING OPERATIONS



POTENTIAL SOLUTIONS

1. **Build in-house:** hire an engineering team to create custom automations.
2. **Add headcount:** bring on more payroll / operations specialists.
3. **Adopt AI:** layer intelligent automation on top of existing tools to scale without new hires.

- **Senior Engineer:** \$126k – \$185k per year, plus at least \$75k annually to build and maintain proprietary software.
- **Operations Specialists:** average salary \$65,998; hiring just two or three more would add \$132k – \$198k in payroll.

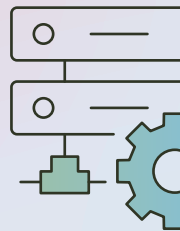
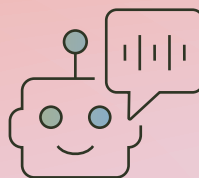
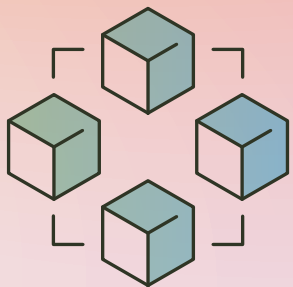
REQUIREMENTS FOR THE PROJECT

Whatever AI solution they would adopt would need to fit the following criteria:

- Seamless integrations with existing HCM platform, Outlook, CRM, and other systems already in place.
- Human-in-the-loop controls so that no AI action could be finalized without explicit employee approval.

The AI solution plugged into every client-facing Outlook inbox, automatically categorizing emails and piping metadata into an interactive dashboard. Executives can filter the data by date range, topic, inbox, client, or service tier, revealing answers to the following questions:

- Armed with this data, Spirit HR can be proactive—identifying clients that need more attention or workflows that are slowing the team down.



From kickoff to first production workflow, the rollout took about six weeks—covering the analytics dashboard plus the payroll automation. The very first automation now saves 25% of the payroll team's time on a weekly basis.

Key Use Cases

- **Client value stories:** Share concrete service-level metrics during QBRs to justify fees and renewals.
- **Operational tuning:** Spot recurring bottlenecks, redundant steps, or under-documented processes.
- **Talent management:** Surface top performers and coach teammates who need support, protecting service quality.

IDENTIFYING ADDITIONAL AUTOMATION OPPORTUNITIES

Once the dashboard was live, one trend jumped off the screen: a big chunk of payroll staff hours was consumed by manually keying emailed timesheets into the payroll platform. About 10% of Spirit HR's clients still emailed spreadsheets every pay period—which meant hours of copy-paste. Toby, a payroll manager at Spirit HR, notes it could take an hour and a half to two hours for just one client depending on a particular week.

DEPLOYING AN AI-POWERED WORKFLOW

Spirit HR's next sprint replaced that manual entry:

1. **AI extraction:** the system reads incoming timesheets and

converts them into a payroll system-ready transaction.

2. **One-click import:** a specialist reviews the draft, hits "approve," and the data flows straight into payroll.
3. **Human review:** final checks remain with the team, but the repetitive keystrokes disappear.

OUTCOME

From kickoff to first production workflow, the rollout took about six weeks—covering the analytics dashboard plus the payroll automation. The very first automation now saves 25% of the payroll team's time on a weekly basis. Managers have real-time insight, speeding up data-driven decisions across operations.

Members of Spirit HR's team have had positive reactions to implementing an AI-powered solution. Cindy, a payroll specialist, notes that "it makes those payrolls just a breeze...we save six to eight hours." While Toby adds, "[we've] easily gained a couple hours. I can finish my regular work and then focus on other items."

WHAT'S NEXT?

Spirit HR is now considering other opportunities for AI to drive impact within the business, such as:

- **Client inquiry response drafting:** AI takes a first pass at generating drafts for incoming inquiries from clients and worksite employees.
- **AI-powered workflow automation:** reducing manual data entry required for new hiring onboarding
- **AI-assisted research:** pulling context for complex client inquiries.
- **Automatic CRM case creation:** logging tickets instantly, keeping service data clean.

By attacking one high-friction workflow at a time, Spirit HR has proven that targeted AI projects can unlock hours of capacity, boost visibility, and raise the bar for client experience—without ballooning payroll. ■



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HUMAN-CENTERED INNOVATION

How AI is Redefining Payroll and People Strategy

BY YUTAKA TAKAGI

PEO leaders are no strangers to balancing complexity with clarity. At the intersection of HR, compliance, payroll, and people strategy, you're expected to deliver seamless, human-centered business services—all while navigating a rapidly changing technology landscape. The shift toward automation and AI is no longer a concept; it's a current reality, reshaping how work gets done.

Yet amid the promise of productivity and cost savings, one essential question rises above the rest: Are we advancing in a way that enhances the employee experience—or simply optimizing for efficiency?

THE VALUE OF PAYROLL TECH: CURRENT STATE

Over the years, payroll technology has delivered tremendous value for both PEOs and their clients. Administrators handling hiring, onboarding, time tracking, payroll, and benefits now operate at greater scale—even amid growing regulatory complexity. For instance, many HCM platforms offer automation for tax forms down to local jurisdictions, as well as tools for ACA compliance, to name just a few. These innovations have helped reduce compliance risk and significantly improved productivity.

Equally important is the rise of self-service functionality, particularly via mobile access, which places the ownership of personal information back into the hands of employees. With direct access to time & attendance, benefits enrollment, and year-end forms, employees gain visibility into their data—and no longer need to chase down approvals or paperwork.

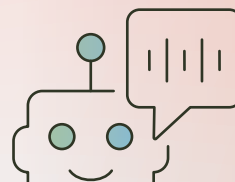
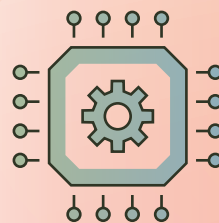
These advancements aren't just operational wins. They translate into lives made easier, smoother onboarding experiences, and reduced frustration stemming from payroll inaccuracies or opaque benefits information.

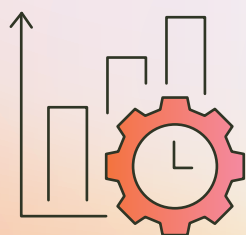
In a world where payroll can often feel commoditized, this kind of engagement is a true differentiator.

AI: BETWEEN THE HYPE AND THE HUMAN

AI holds even greater promise for payroll—enabling intelligent chatbots that respond to employee questions and predictive tools that flag compliance risks before they surface. But in the drive to automate, there's a cautionary tale.

Years ago, HR departments embraced self-service tools to streamline routine tasks like timecards and address changes. But in digitizing these processes, many overlooked the value of human interactions, the casual conversations that often revealed deeper concerns or needs.





...in digitizing these processes, many overlooked the value of human interactions, the casual conversations that often revealed deeper concerns or needs.

Today's AI systems are more advanced, but not necessarily more discerning. They can route transactions and learn from patterns, but they often lack the intuition, empathy, and nuance of human dialogue. In critical moments—such as onboarding a new hire, navigating a parental leave, or guiding someone into retirement, it's the human connection that makes all the difference.

THE ROI OF HUMAN EXPERIENCE

This is where PEOs can truly differentiate themselves. You're not just compliance experts or payroll processors—you are stewards of the employee experience. In this new era, the competitive advantage lies not in choosing between human or machine, but in harmonizing the two.

Let AI handle the transactional load. Use it to provide real-time data, flag anomalies, and draft communications. But reserve human expertise for what matters most: asking the questions AI doesn't know to ask, providing context to compliance, and seeing the person behind the paycheck.

A well-designed system delivers more than just savings—it fosters time efficiency, higher retention, and a workforce that feels both engaged and supported.

PRACTICAL STEPS FOR PEO LEADERS

Audit for Human Touchpoints. Map the employee journey and identify where automation enhances the experience—and where it falls short. Is your onboarding efficient but impersonal? Is offboarding reduced to an automated email?

Invest in Adaptable AI. Seek out systems that combine automation with flexibility and allow for human override. A workflow that can adjust to unique circumstances is far more valuable than one that simply moves faster.

Enable Human Insight. Empower your teams with tools that reveal actionable insights, not just raw data. The best technology doesn't replace judgment—it sharpens it.

Rethink Metrics. Expand your definition of ROI to include employee sentiment, engagement, and trust. The best systems make people feel empowered, not processed.

THE FUTURE IS HUMAN-AI HYBRID

As we look beyond 2025, the most successful PEOs won't be those that automate for the sake of efficiency, but those that thoughtfully blend AI capabilities with human empathy and insight. Partner with your HR and payroll platforms to move beyond transactions. Seek out solutions that empower you—and your clients—to bring confidence, clarity, and care into an ever-changing world of work.

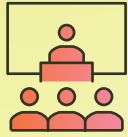
Keep calibrating the balance between human and AI—and you won't just adapt to the future of work; you'll help define it. ■



YUTAKA TAKAGI


*Principal Product Brand Evangelist
solved
Charlotte, NC*



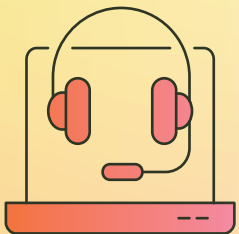


HOW AI IS TRANSFORMING PEOPLE MANAGEMENT AND WHY PEOS MUST LEAD THE REVOLUTION

BY NATE OLSEN

 ver the past few decades, countless technological shifts have promised to revolutionize human resources and with it, the PEO industry as a whole. However, based on what we have witnessed in recent years, artificial intelligence is likely to be by far, the greatest business paradigm shift in our lifetimes. Delivering effective, measurable results, AI integration is rapidly becoming an essential service component for any leading PEO.

Simply put, the acceleration of AI adoption in HR has been remarkable, with industry leaders reporting implementation timelines that have rapidly been compressed from years to months. This ongoing transformation is impacting how organizations attract, develop, and retain talent in an increasingly competitive marketplace. And those that delay AI integration risk falling behind competitors who are already leveraging these powerful tools to optimize their workforce strategies. Here are just a few of the many ways artificial intelligence is transforming people management systems in the workplace, along with the PEO industry itself.



Why are *customer-focused* PEOs making the switch to PRO?

PRO is Built for the Future.

"The implementation of PRO Software came at a crucial time in our company's growth. As we scaled operations, our legacy systems simply couldn't keep up with the increasing complexities of payroll and HR compliance, nor the shifting needs of the 21st century employee. Integrating PRO Software not only streamlined internal processes but gave us more time to focus on what matters most — our customers. Instead of being stuck behind a desk, we're now out in front of our customers, having meaningful conversations and delivering more value.

This integration with PRO didn't just improve our operations; it brought us back to the heart of why we are in this business."

— The Preference Employment Solutions Team



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FROM SUPPORT TO STRATEGIC PLANNING

Human Resources has traditionally been viewed as a business support role, universally known for managing payroll, compliance, hiring and benefits administration. However, with the advent of new AI technologies, forward-looking companies are identifying how some HR responsibilities can also become a significant value driver. Recent research shows that businesses that excel in people management are four times more likely to outperform peer organizations financially and 1.5 times more likely to remain market leaders year over year. This can be the direct result of leveraging technology to optimize employee experiences and workforce planning.

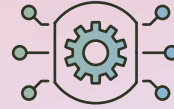
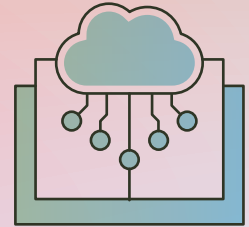
Here's another noteworthy trend: PEOs that embrace AI-powered HR solutions also significantly outperform their competitors. This is partially due to AI's ability to allow for data-driven decision making that was previously impossible at scale. For example, modern AI platforms can now analyze emerging workforce trends, predict future hiring needs, and identify potential challenges before they significantly impact business operations. This predictive capability allows businesses to proactively address issues such as skill shortages, succession planning, and organizational restructuring. By moving from reactive problem-solving to proactive strategic planning, HR departments become an even more critical business

function that contributes directly to revenue growth and the development of competitive advantages.

PERSONALIZED EMPLOYEE SUPPORT

One of AI's most transformative capabilities is creating personalized employee experiences that have never been seen before. Artificial intelligence-powered platforms can now customize certain HR functions based on individual employee roles, preferences, and aspirations. These models can now analyze all kinds of complex data points, including employee performance, satisfaction, workloads, and productivity to generate customized career paths that align staff resources and skills with the company's employee needs.

AI can provide personalized learning paths for career development, tailor benefits packages based on location and varying family needs. Emerging AI models even have the ability to predict employee burnout before it occurs. It's also worth noting that the World Economic Forum predicts 44% of employee skills could be disrupted by AI within five years, making it imperative for organizations to partner with PEOs that prioritize continuous upskilling and reskilling. This investment in employees can, in turn, result in higher retention rates, increased engagement, and improved performance. This is another case where investments in employees – in this case, aided by AI – translates to investing in your business success.



AI can provide personalized learning paths for career development, tailor benefits packages based on location and varying family needs. Emerging AI models even have the ability to predict employee burnout before it occurs.

ENHANCING HUMAN LEADERSHIP, NOT REPLACING IT

A common fear in today's society is that AI will result in the mass elimination of certain positions. In fact, according to a recent study published by McKinsey & Company, approximately two-thirds of today's people management processes can be largely automated. This is where it becomes imperative for companies to make AI a valuable business tool that works for you and your business. Intentionally applied AI can actually enhance human leadership by automating routine tasks, freeing the valuable and often limited time of leadership to focus on higher-impact activities such as strategic planning and business growth.

As our colleague Bob O'Malley, a technology industry veteran with over 35 years of experience, recently shared, "AI allows you to become a more human organization. It empowers people by providing them with relevant information quickly, enabling better decision-making."

This insight perfectly captures AI's true potential. Let the technology work

for you, not against you. Artificial intelligence can identify skill gaps and recommend targeted training. It can predict turnover risks and provide retention strategies or automate repetitive tasks so that inhouse HR professionals can devote more attention to an organization's most critical asset: it's people.

And while AI excels at data processing and pattern recognition, human leaders bring emotional intelligence, creativity, and ethical judgment that cannot be replicated by machine learning. The most successful organizations are those that create synergy between AI capabilities and human expertise, where technology amplifies human strengths rather than replacing them. This collaboration allows leaders to make more informed decisions while maintaining the personal connections and cultural understanding that drive business success.

SMALL BUSINESS SCALABILITY

For small business owners, venturing into the AI revolution can be a frightening and unfamiliar journey. Many

assume these expanding technologies are only available to large corporations, remaining far too expensive for small and medium-sized businesses. This is where the right PEO partner can level the playing field.

As O'Malley also shared, there's a significant learning curve with AI, and it's not something you want to jump into blindly. Small businesses need guidance from their PEO counterparts, IT providers, and other trusted advisors to identify the right solutions that fit their specific needs.

As AI continues to revolutionize HR solutions, smart business leaders and the PEO industry must stay ahead of the curve and remain strategic in riding the AI wave in the current, constantly shifting landscape of people management. ■



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COADVANTAGE: A COMPANY ON A MISSION

BY CHRIS CHANEY

Bradenton, Florida-based CoAdvantage soon celebrates 30 years in business. The PEO and longtime NAPEO member launched operations in 1997 with a simple, but consequential mission: to help small businesses grow and thrive. While the mission remains the same, the strategy and execution to deliver it have evolved significantly to keep up with a changed PEO industry, advances in technology that have collapsed the difference between B2B and B2C buyer expectations, and an increasingly complex and fragmented regulatory environment.

Success today requires PEOs to be sophisticated, robust and highly attuned to client needs. Technology transformations have upended customer expectations across B2B; most PEO users assume everything will be accessible where and when they want it, via a consumer-grade user experience. Today's regulatory and legal landscape poses a minefield of compliance risks at every turn. Yet, through all this change, CoAdvantage has

grown immensely over the years, serving more and more small businesses. It's a testament to what can happen when you're attuned to the needs of your user, hire a team committed to putting the customer first, and are mission-driven.

With a team of experts in their respective fields spread across the country and representing deep experience within and outside of the PEO space, the focus is on balancing taking the work seriously and encouraging experimentation and collaboration across the organization. From the top-down, it's a culture that embraces the perspective that good ideas can come from anyone, and the best ideas reflect a well-rounded perspective from everyone.

Leading the mission is CEO John Cumbee. He originally joined the company in 2022 as COO, and brings a deep background in the payroll, HCM and healthcare industries. The opportunity to join CoAdvantage was too good to pass up, offering the chance to pair industry experience with a passion for supporting small businesses.

"I grew up in a small business family in the Midwest—where main street USA is really the backbone. That exposure inspired a career geared toward helping small businesses succeed. Every stop along the way has had that purpose-driven focus in common," Cumbee says.

He firmly believes that partnering with a PEO is the best solution for small businesses hoping to grow and succeed. Cumbee's excitement and enthusiasm for working with entrepreneurs is palpable.

"While working in a small business early in my career, my responsibilities included managing payroll and insurance. It helped me understand these time-consuming tasks and business challenges can distract from growth. A PEO gives businesses owners freedom to chase their dreams," Cumbee says.

As CoAdvantage enters its next chapter, this commitment underpins every decision the company makes, from strategic partnerships and acquisitions to technology investments that support innovation in the SMB community.



As customers move between services and add products, creating a seamless user experience is crucial. Cumbee doesn't want customers to feel like they've joined a new company just because their business needs change.

A SOLUTION FOR EVERY STAGE

As with many players in the HCM industry, a lot of CoAdvantage's historical growth came through mergers and acquisitions (M&A). Now, Cumbee is leading an organic growth approach that has refocused the company's M&A strategy.

"Our focus now is pulling pieces together to build a complete HCM solution set to support businesses throughout their lifecycle," Cumbee explains.

PEO is a highly adaptable model, but it does have natural limits to the businesses it can serve. Going forward, CoAdvantage is focused on balancing increasing the value of the products and services it already offers to PEO customers with expanding its overall footprint as an end-to-end HCM solutions provider.

A key part of this strategy is the just-completed merger with PrimePay, a payroll and HCM software platform.

"This is the best of both worlds. We can meet customers where they are from a service and technology standpoint," Cumbee says.

By offering everything from basic payroll to full-service PEO, CoAdvantage solutions will grow and scale alongside the businesses they serve. Cumbee and the team view the relationship with their customers as going beyond just

partnership: they consider themselves an extension of their customers' own teams.

Of course, technology plays a major part in any customer experience, which is why CoAdvantage made the unheard-of investment to develop its own proprietary HCM platform, including an owned payroll and tax engine within, called CoAdQuantum. It ties directly into CoAdEnroll, the company's benefits platform.

"It's so important for us to create our own destiny when it comes to controlling what we deliver to our customers. There's a lot of great technology available and work being done across the industry, but if we can't set our own technology and development roadmap, we can't be confident that we'll be meeting our customers' needs," Cumbee explains.

As customers move between services and add products, creating a seamless user experience is crucial. Cumbee doesn't want customers to feel like they've joined a new company just because their business needs change.

Advances in technology never stop, so it's a massive undertaking, but one the

company is confident in. And the passion for technology innovation extends outside of CoAdvantage. So much so that CoAdvantage now sponsors the Pitchfest prize at HR Tech™. The competition aims to spotlight innovative and creative new HR technology ideas from start-ups. It's a reflection of CoAdvantage's commitment to support the small business community and do their part to support great ideas. Cumbee truly believes that advances across the HCM and HR tech space raise the standard for all, and the quality delivered to customers.

"I'm so proud of our team here, their expertise and passion drive our business," Cumbee says, "What we do helps our customers succeed."

It's a mission that everyone who works at CoAdvantage champions. ■

John Cumbee, CEO, CoAdvantage



CHRIS CHANEY

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ARTIFICIAL INTELLIGENCE: THE TIGHTROPE WALK BETWEEN EFFICIENCY AND EMPATHY

BY BRETT ARTHUR

It was only a few years ago when ‘AI’ sounded like something that would take your job, claim your corner office, and then schedule a meeting to explain why. Fast forward to today, artificial intelligence is not just a sci-fi buzzword—it is part of the payroll process, client communications, compliance tracking, and nearly every function inside a modern PEO.

But with great automation comes great responsibility.

As professionals in the PEO space, we are uniquely positioned at the intersection of business and people. That means embracing tools that make us

more efficient—without losing the human touch that our clients depend on. The challenge is not whether to use AI, but how we use it wisely, ethically, and strategically, without accidentally turning into a robotic call center in the process.

Let’s explore the balancing act.

EFFICIENCY: THE TEMPTING LURE OF AI

Let’s be honest. AI is a time-saving dream. From onboarding workflows that auto-fill employment documents, to chatbots that answer routine HR questions faster than you can say “FMLA,” there is no denying its value.

In our world, where client service is king (and sometimes queen, court

jester, and accountant), tools that reduce errors, speed up processing, and make compliance feel less like walking a legal tightrope are invaluable.

AI is already helping PEOs:

- Streamline payroll with predictive algorithms
- Flag potential compliance issues before they turn into penalties
- Provide 24/7 support for clients through intelligent chat assistants
- Analyze trends in benefits usage or employee turnover

Done right, AI enhances what we do, allowing our teams to focus on higher-level strategy and client relationships.

It is like having a really smart intern who does not need coffee breaks.

BUT THEN THERE'S... THE PEOPLE

Here is the kicker: We are not just in the business of employment services...we are in the people business. You do not win long-term clients with an auto-generated email or a generic response that starts with, "Based on your recent inquiry..."

Clients want to feel heard. They want to know that someone is truly looking out for them. And let's face it, when someone is dealing with a delicate HR situation—like a termination, harassment claim, or workers' comp injury—getting a response from "HRBot_3000" is not going to cut it.

In the race toward automation, we can't forget that what sets us apart is the ability to offer real, thoughtful, and personal support when it matters most.

THE SWEET SPOT: AUGMENT, DON'T REPLACE

So, what is the right mix? The key is using AI to augment our human abilities, not replace them.

Here is what that can look like:

AI as a First Responder: Use AI tools to handle repetitive or simple requests—resetting passwords, checking PTO balances, reminding employers about I-9 deadlines. But make sure there is always a clear path to a human for anything more nuanced.

Data-Driven Decisions, Human-Led Discussions: AI can identify trends (example, unusually high turnover in one department), but it should be your HR professional who sits down with the client to unpack why it is happening and what to do about it.

Empathy Cannot Be Automated: No matter how advanced your AI is, it can't deliver bad news with grace, navigate a heated conversation with diplomacy, or

build trust over time. That is our lane, and it is not going anywhere.

TRAINING YOUR TEAM TO WORK WITH AI

Implementing AI is not just a tech project; it is a culture shift. If your team sees AI as a threat, you will get resistance. If they see it as a partner, you will unlock its real value.

Some quick wins:

- Host regular training on AI tools, focused not just on how to use them but why they matter.
- Reassure staff that AI is here to take tasks off their plate—not their jobs.
- Encourage employees to flag moments where the "personal touch" was needed, so you can continually refine what should be automated vs. human-led.



In the race toward automation, we can't forget that what sets us apart is the ability to offer real, thoughtful, and personal support when it matters most.

ETHICS & GUARDRAILS: DO NOT LET THE BOTS RUN WILD

As we adopt AI tools, we also must be conscious of their limits. Just because a system can make a decision does not mean it should make it.

AI systems can carry biases (especially if they are trained on flawed data), and missteps in automated decision-making,

especially in HR, can land a company in hot water. Think automated resume screening that inadvertently filters out entire demographics, or AI-driven "productivity tracking" that ignores context and nuance.

The PEO industry is already held to a higher standard. Our clients rely on us to be trusted partners. That means putting thoughtful guardrails in place and regularly reviewing AI systems to ensure fairness, accuracy, and compliance.

FUTURE-PROOFING WITH A HUMAN CORE

Here is the good news: the future of AI in the PEO industry is bright, but it is not replacing us anytime soon.

The firms that will thrive are the ones that leverage automation to amplify their humanity. That means spending less time on paperwork, and more time solving problems, giving guidance, and being that steady hand on the wheel when clients hit turbulence.

At the end of the day, technology evolves, but relationships endure.

Let's build a future where our clients get the best of both worlds: the speed and precision of AI, and the heart and insight of a trusted advisor.

FINAL THOUGHT (BECAUSE I CAN'T RESIST)

AI can calculate payroll deductions in milliseconds, draft handbooks in minutes, and send reminders without blinking. But it still can't laugh at your client's bad jokes. (Well... not sincerely.) So, here is to keeping the bots in the background—and keeping our humanity front and center. ■



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AI HALLUCINATIONS: BOOST YOUR AI IQ & PROTECTION

BY PAUL HUGHES

In recent years, artificial intelligence (AI) has become an integral tool across various professional sectors, including law, medicine, accounting, and insurance. Its ability to process vast amounts of data and generate human-like text has streamlined numerous tasks. However, a significant concern has emerged: AI's tendency to produce "hallucinations," or fabricated information presented as fact. It can also pull information from sources that are outdated, not credible and sometimes false. This phenomenon underscores a critical thesis: AI alone is not credible for professionals without affirmation that the source data it draws from is credible. I'd like to thank our friend Sara Merken over at Insurance Journal for her wonderful article recently that brought this issue to the forefront of our minds.

UNDERSTANDING AI HALLUCINATIONS

AI hallucinations occur when generative AI models produce information that appears plausible but is entirely fabricated. These models, including advanced chatbots and content generators, rely on patterns in the data they were trained on to generate responses. While they can produce coherent and contextually relevant content, they do not possess true understanding. Consequently, when prompted, they may inadvertently generate content

that includes fictitious details, non-existent case laws, or inaccurate data.

Impact on Workers' Compensation Insurance

In the insurance industry, particularly within workers' compensation, the accuracy of information is paramount. AI tools are increasingly being suggested as ways to assess claims, evaluate premiums, and even predict risks. However, reliance on AI-generated data without proper verification can lead to significant errors. For instance, if an AI system "hallucinates" data about workplace injury statistics or misinterprets policy details, it could result in incorrect premium calculations or unjust claim denials. Such errors not only affect the financial health of insurance companies but also jeopardize the trust and well-being of policyholders.

The Necessity of Data Verification

The crux of the issue lies in the credibility of the data sources that AI systems utilize. AI models are only as reliable as the data they are trained on. Anyone that has googled something lately sees "AI responses" which are sometimes very accurate, but not always. Without access to credible, accurate, up-to-date, and comprehensive data, these systems are prone to generating misleading or false information. Therefore, professionals must ensure that any AI tool they employ is backed by credible data sources and human review for accuracy. This

involves rigorous vetting of AI systems, continuous monitoring of their outputs, and cross-referencing with trusted information repositories. This must be an ongoing process as data changes and which sources keep up with it is a fluid process.

STRATEGIES FOR IMPROVING YOUR AI IQ

To mitigate the risks associated with AI hallucinations, professionals should adopt robust fact-checking protocols. According to some great insights from Dave Andre at All About AI, the following steps are essential.

Define Clear Requirements: Before utilizing AI-generated content, clearly outline the specific information needed. This helps in tailoring the AI's output to relevant and precise data.

Verify Information from Multiple Sources: Cross-reference AI-generated content with multiple reputable sources to confirm its accuracy. Relying on a single source increases the risk of perpetuating errors.

Consult Subject Matter Experts: Engage with experts in the relevant field to review and validate the AI's output. Their expertise can identify subtle inaccuracies that automated systems might overlook.

Utilize AI Tools for Cross-Verification: Employ AI tools designed to detect inconsistencies or contradictions within the content. For example, using AI models to cross-verify facts can help in identifying potential errors.

Regularly Update AI Systems:

Ensure that AI tools are updated with the latest information and data sets. Outdated data can lead to incorrect conclusions and recommendations.

USING YOUR NEW IQ TO BOOST PROTECTION

Now that you've taken steps to raise your AI IQ, you can use this new understanding to navigate insurance market changes, policies and procedures to boost your PEO's AI protection.

Am I Insured for Loss Caused by AI?: When cyber risk first emerged, it was usually wrapped into Electronic Data Processing (EDP) policies that were more focused on property and data loss. Over time, as claims data grew and the severity of the claims brought grew with it, it became clear that cyber required dedicated underwriting models, policy language, and risk mitigation strategies. To first address this expanded need for protection against third-party liability suits, AIG created the first cyber policy in 1997 which was originally referred to as a "hacker policy" and became the foundational form for various carriers to create their own policy forms.

A similar inflection point, we feel is approaching for AI.

At present, it is assumed that AI-related exposures are to fall under existing policies—usually General Liability, Cyber, or Errors & Omissions/ Professional Liability coverage. Is it? In the past, usually but now it is by no means a given and needs to be evaluated. As with cyber where the coverage began being limited or all out excluded from EDP policies, we have begun to see policy language like the following from a WR Berkley endorsement, referred to as Berkley's Absolute AI Exclusion:

*The **Insurer** shall not be liable to make payment under this Coverage Part for **Loss** on account of any **Claim** made against any **Insured** based upon, arising out of, or attributable to:*

- 1. any actual or alleged use, deployment, or development of **Artificial***

***Intelligence** by any person or entity, including but not limited to:*

- a. the generation, creation, or dissemination of any content or communications using **Artificial Intelligence**;*
 - b. any **Insured's** actual or alleged failure to identify or detect content or communications created through a third party's use of **Artificial Intelligence**;*
 - c. any **Insured's** inadequate or deficient policies, practices, procedures, or training relating to **Artificial Intelligence** or failure to develop or implement any such policies, practices, procedures, or training;*
 - d. any **Insured's** actual or alleged breach of any duty or legal obligation with respect to the creation, use, development, deployment, detection, identification, or containment of **Artificial Intelligence**;*
 - e. any product or service sold, distributed, performed, or utilized by an **Insured** incorporating **Artificial Intelligence**; or*
 - f. any alleged representations, warranties, promises, or agreements actually or allegedly made by a chatbot or virtual customer service agent;*
- 2. any **Insured's** actual or alleged statements, disclosures, or representations concerning or relating to **Artificial Intelligence**, including but not limited to:*
- a. the use, deployment, development, or integration of **Artificial Intelligence** in the Company's business or operations;*
 - b. any assessment or evaluation of threats, risks, or vulnerabilities to the **Company's** business or operations arising from **Artificial Intelligence**, whether from customers, suppliers, competitors, regulators, or any other source; or*
 - c. the **Company's** current or anticipated business plans, capabilities, or opportunities involving **Artificial Intelligence**;*
- 3. any actual or alleged violation of any federal, state, provincial, local, foreign, or*

*international law, statute, regulations, or rule regulating the use or development of **Artificial Intelligence** or disclosures relating to **Artificial Intelligence**; or*

- 4. any demand, request, or order by any person or entity or any statutory or regulatory requirement that the Company investigate, study, assess, monitor, address, contain, or respond to the risks, effects, or impacts of Artificial Intelligence.*

The potential breadth of this exclusion cannot be overstated. And, the exclusion's title suggests that Berkley intends to apply the exclusion to virtually any claim with a connection to AI.

In insurance we provide general coverages and then take them away by way of policy language or endorsement. As an example, employment practices liability insurance (EPLI) also was a "throw-in coverage within the general liability form until that line also became very complex with volatile losses and needed specific underwriting models and policy forms to make it insurable to the insurance community. This will follow suit with AI as the growth of AI insurance is its own "new" line of insurance, with many insurers and syndicates now offering forms solely to address this unique exposure.

While AI offers transformative potential across various professional sectors, its outputs must be approached with caution. The phenomenon of AI hallucinations serves as a stark reminder that, without credible source data and rigorous verification processes, AI alone cannot be deemed reliable for critical professional applications. By implementing stringent fact-checking measures and ensuring the integrity of data sources, professionals can harness the benefits of AI while safeguarding against its pitfalls. ■



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WHAT PEOs NEED TO KNOW ABOUT THE CURRENT STATE OF WORKPLACE AI REGULATION

BY JOHN POLSON, ESQ.

As employers across the country embrace the use of artificial intelligence in their workplace activities, federal and state lawmakers are lining up to consider guardrails on common AI practices. From hiring to performance management, from resume review to video interviews, AI is increasingly relied upon by employers to help with a wide spectrum of tasks—and lawmakers are taking notice. Their race to regulate has a particular impact on PEOs and their vendors.

This article will review some of the key workplace-related AI laws that are either slated to take effect or are being considered on Capitol Hill and in statehouses around the country.

CONGRESS

Federal lawmakers failed to pass a law that would have prevented states from implementing their own AI rules for the

next 10 years (or blocked them from collecting billions in federal funding for five years). But that doesn't mean Congress is sitting idly by. It is also considering a bipartisan proposal to create whistleblower protections for employees who report risks or misuse of AI tools in the workplace. The proposed law would cover retaliation claims and encourage internal reporting mechanisms.

CALIFORNIA REGULATORS ENTER THE CHAT

Three big things are brewing in California:

- Regulators are in the process of adopting new procedural rules to enforce anti-discrimination laws as they apply to automated decision systems (ADS). They could take effect as early as October 2025.
- Lawmakers are considering a number of potential workplace-related bills before the September deadline,

including a whistleblower protection proposal that pales in comparison to last year's attempt at regulating AI.

- A working group released a landmark AI Policy Blueprint outlining future regulatory goals, including bias, surveillance, and fairness. Expect formal proposals to follow in 2026.

WILL COLORADO'S LANDMARK LAW TAKE EFFECT IN 2026?

Colorado's SB 205 is slated to create the most detailed AI regulatory scheme in the country, imposing significant obligations on businesses using "high-risk" AI systems, including employment-related tools. Starting in 2026, employers will be required to conduct impact assessments, disclose AI use to individuals, and take steps to mitigate discrimination. But rumblings persist from state leaders that the law may be

delayed or watered down prior to the February 1, 2026, effective date.

ILLINOIS CURRENTLY REGULATES AI INTERVIEWING

Under the Illinois Artificial Intelligence Video Interview Act, employers using AI to analyze video interviews must notify candidates, obtain consent, and share how the technology works. Noncompliance could lead to lawsuits or enforcement actions.

NEW YORK AWAITING WORD FROM GOVERNOR ON AI SAFETY PROPOSAL

SB 5668 (The RAISE Act) would require developers of advanced AI systems to implement safety protocols and disclose testing documentation. Lawmakers passed the bill in June, and it still awaits action from Governor Hochul—who is hearing concerns from

tech leaders about the potential negative impacts it could have on the state if adopted.

NEW YORK CITY'S BIAS AUDIT LAW ALREADY IN EFFECT

NYC's Local Law 144—the first local AI law in the country to regulate the workplace—has been requiring employers using automated employment decision tools (AEDTs) to conduct annual bias audits and notify candidates and employees about their use since 2023.

TEXAS PASSES PRO-BUSINESS LAW

Texas surprised everybody when it enacted a law requiring a detailed study of AI's impact on jobs, bias, and transparency—but the pending law (set to take effect in 2026) presents few if any regulatory challenges for employers.

PEO IMPACT

The emerging landscape of AI legislation demands a proactive and comprehensive approach from PEOs. As laws evolve, particularly with significant developments expected in states like California, Illinois, and New York, PEOs must ensure their clients and their own operations have robust policies and practices for workplace complaints and investigations, especially those involving AI-driven decisions. Savvy PEOs will also work closely with vendors to limit liability arising from third-party products utilized by the PEO. ■



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HOW TO USE AI TOOLS IN HUMAN RESOURCES

BY SHANE EDRINGTON

According to a report by Gartner, 76% of HR professionals believe that if AI isn't adopted in some way over the next few years, they might actually be behind the rest of their peers. Technological advancement, the theory goes, can help certain manual processes in HR departments and optimize better decisions with data compiled from AI tools to back that up.

AI is modernizing how HR workers do their jobs, but there are limitations. There are different types of AI with different functions, but the most

common and applicable to HR tasks are generative AI and predictive AI.

Let's take a closer look at how AI impacts HR workers and team leaders including use cases and challenges, and why a human touch is still important.

GENERATIVE AI

Generative AI is designed to mimic human intelligence for specific tasks. The most common example of a generative AI is ChatGPT. Once it receives a prompt, ChatGPT analyzes content for patterns and generates texts or visuals, sometimes summaries or



AI tools are a partner, not a replacement, in HR departments. In an AI-driven HR department, striking that balance is critical, and can be beneficial for everyone involved.

analyses. For example, you can prompt the tool to generate generalized job descriptions based on experience needed, tasks involved with the role, or career development to brainstorm off of to help create original content for your own post.

PREDICTIVE AI

On the other hand, predictive AI identifies, analyzes, and breaks down patterns in past events and general trends. This type of AI tool can make predictions about what's going to happen in the future. You may use AI to keep a pulse on the recruitment market or to identify key HR or employee management trends.

WHERE TO USE AI TOOLS IN HR

In the US, nearly 40% of enterprise sized organizations use AI in their HR departments, according to Statista. AI has many use cases but where it's most beneficial and useful for HR teams depends on a team's needs and unique role. Some tasks AI include automated processes, streamlined workflows, or generated copy to work off.

These are the common and significant tasks for AI in HR:

1. TALENT ACQUISITION

AI, according to a report conducted by SHRM, is mostly used for recruitment. AI tools can identify and process information about the best places to find candidates for different roles. AI tools, for example, can automate resume screening to identify suitable candidates. Such AI tools may ensure candidates don't fall through the cracks due to human error.

These tools have the ability to personalize any communication with

these candidates to keep them interested. For recruiters, AI can even help you create detailed profiles of ideal candidates for specific roles.

2. EMPLOYEE ONBOARDING AND TRAINING

Once candidates have become employees, the next step is usually a thorough onboarding process. This can be fairly laborious for many HR professionals. AI tools can help streamline this process, as well as provide personalized training plans by analyzing data on their career goals, current performance, and related skills, as well as automate administrative tasks. This can improve onboarding and training overall.

AI chatbots, too, can act as round-the-clock HR assistants for new hires, providing quick answers to employees' questions about leave policies, benefits, and other HR concerns. This not only enhances the employee experience but also helps new employees feel supported, knowledgeable and welcomed.

3. EMPLOYEE ENGAGEMENT AND SATISFACTION

AI tools allow managers to understand employee performance and identify areas for improvement. These tools can understand employee sentiment by deploying and analyzing surveys, social

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media or other sources to measure overall satisfaction levels. Once you have a pulse on your team, you can then suggest appropriate training content to help them grow and stay engaged.

AI is most useful by processing, analyzing and summarizing data. Use this information to help make better decisions about employee engagement solutions.

4. PERFORMANCE MANAGEMENT

Evaluate employee performance by using AI tools to analyze data on key performance indicators (KPIs). The information from these tools can provide real-time feedback and suggest personalized development plans.

CHALLENGES OF USING AI IN HR

While the benefits of AI in HR are plentiful, implementing AI is not without its challenges. These include ethical considerations, data privacy concerns, and resistance to change.

1. ETHICS AND BIAS

We like to think of AI as a separate entity from humans. However, all the data it consumes to generate information or analyses is based on content made by people. AI has an inherent bias that everyone needs to diligently monitor. Look for ways it favors specific gender, racial or age bias.

If AI tools are to be used to brainstorm any writing, ensure that you're putting in prompts that are useful and precise. Think critically for inconsistencies and biases. It might be helpful to create a checklist of all the things AI

might not account for and always check your content against it.

2. DATA PRIVACY AND SECURITY

A common way to use AI today is enabling note-taking features such as summarizing meetings. Those meetings may include sensitive information in addition to finding action items for next steps.

Data privacy is a significant concern when implementing AI in HR. Personal data is the entire realm of HR departments. There's a risk that sensitive employee information could be misused or data security breached. So it's important to mitigate these risks by understanding what can go into an AI tool versus what cannot. HR departments must enforce strict data privacy policies. They should use firewalls to control access. Train employees on the secure usage of AI.

AI is a tool, not a person. Its sole function is to process an immense amount of data that can be accessed by nearly anyone. If giving over your private information to a stranger is forbidden, the same rules apply to AI.

3. LOSS OF HUMAN ELEMENT

As exciting as the advancements in AI are, human resources is about people. Maintaining a human element in HR processes is paramount, even as we adopt advanced technology.

AI tools are a partner, not a replacement, in HR departments. In an AI-driven HR department, striking that balance is critical, and can be beneficial

for everyone involved. Technology can support efficiency and data-driven insights, and a professional HR manager can engage with employees and answer questions, and generally respect company culture and individual needs.

This balance can be achieved by focusing on human interaction at every stage of the employee lifecycle, like emphasizing communication and personalizing interactions.

HOW HR CAN WORK WITH AI

Integrating AI tools into HR functions means streamlining manual processes, not replacing human effort altogether. It's a tool but you're the professional.

AI tools allow you to focus on making HR a more iterative process. You have access to data-driven dashboards that can inform decisions. They can help be more transparent about the initiatives you're running and gain more trust from employees. AI tools can function as a lookout to help you address issues before they even reach you.

How best to work with AI? Train your teams on the tools to make them work for you. AI tools don't need to complicate existing workloads. They can be useful partners to assist you in what can hopefully be stronger human connections elsewhere in your processes and in your people operations initiatives. ■



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THREE CRITICAL CONSIDERATIONS FOR PEOs IMPLEMENTING AI

BY PASCAL GIBERT

In today's fast-paced technology landscape, the buzz around artificial intelligence (AI) is louder than ever. For professional employer organizations, this surge of innovation presents both opportunity and challenge. It's crucial to look beyond the hype and carefully evaluate how we can truly leverage AI's transformative potential.

BE CAREFUL OF THE AI HYPE

Software companies are racing to create new AI-driven software or incorporate AI into their existing platforms, and marketers are moving at a similar speed to promote these enhancements. My inbox is brimming with emails from vendors and sales representatives promising revolutionary AI-powered features.

But what happens when we scratch the surface and look more closely at these features? Often, what they are selling is marketed to look like AI. However, many of these highly touted features are simple software automation or rules-based algorithms.

That's not to deny that these features may offer value to PEOs. Rules-based automation can improve existing platforms and increase efficiencies where processes are predictable, structured, and repetitive. These features have a place within our platforms. But they are not deserving of the high price tag—or exaggerated marketing claims—that comes with being labeled an AI-driven product.

AI, with its complex algorithms and ability to process unstructured input, is worthy of our attention. Predictive analytics through machine learning, automated compliance checks or contract analysis with natural language processing, and data extraction through intelligent document processing are a sampling of ways that AI technologies can transform PEOs. The potential exists to reduce costs, drive innovation, and unlock new opportunities.

However, as technology and PEO leaders, we must be careful of the AI hype. We must discern which tools can deliver, identify when simple automation is effective, and strategically deploy AI rather than overuse it.

EVALUATE ETHICAL CONSIDERATIONS

Ethical considerations must remain at the forefront for PEO leaders as we evaluate the use of AI in our organizations and human resources. Two areas of concern are the potential discrimination in AI-driven recruitment and the protection of sensitive data.

AI offers the ability to speed up the process of identifying qualified candidates and reducing the time to hire with a more streamlined recruitment. But it also comes with the risk of unintentionally introducing bias into the process, as AI models are trained on historical data that may discriminate based on gender, race, age, or disabilities.

Strong candidates may be eliminated by AI that relies too heavily on matching specific keywords, struggles to evaluate soft skills, or filters resumes on rigid criteria. Candidates with gaps in hiring due to career breaks or nontraditional career paths may also be penalized.

Whether AI is utilized in recruiting or as part of other HR processes, these tools are accessing sensitive candidate and

employee data. It's incumbent upon us to choose privacy-focused AI tools that are transparent about how data is stored and analyzed beyond its intended purpose.

Implementing diverse training datasets and regularly auditing hiring algorithms can help minimize risk when using AI in talent acquisition. It's also important to ensure that AI systems comply with anti-discrimination and data protection laws such as HIPAA, California Consumer Privacy Act (CCPA), and Equal Employment Opportunity Commission (EEOC) requirements. While evaluating vendors for compliance is necessary, we must also take an active role in auditing any adopted AI platforms to safeguard our organizations and clients against potential risks.

ELEVATE THE CLIENT EXPERIENCE

Once we move beyond the hype and address the ethical complexities, PEO

leaders can begin to drive meaningful change with AI's abilities. One of the most impactful changes is elevating the customer success team and transforming its role with clients.

Customer success teams often focus on the moment and what the client needs to solve its current problems. That may be a password reset or help performing a routine task in the system.

With AI powering chatbots, improving self-service capabilities, and streamlining other core functions, our customer success teams can transition from transactional support to strategic partners. They can anticipate clients' needs and advise them proactively. As a product coach, they can drive adoption of more advanced features that provide significant value to the client.

By regularly accessing key metrics and insights within the platform, customer

success teams can guide conversations with their clients to focus on strategies that drive their businesses forward. This elevated client experience will be available to clients of all sizes and lead to improved client satisfaction and retention.

As PEO leaders, our role is to navigate the evolving AI landscape with both discernment and vision, ultimately positioning our organizations to unlock meaningful efficiencies and strategic growth. Embracing AI thoughtfully—not blindly—will enable us to deliver enhanced value to our clients, safeguard employee trust, and lead our industry into a smarter, more innovative future. ■



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If you have any questions about this event, please contact Robin Schlesinger, **rschlesinger@napeo.org**.

SMARTER WORKFORCE SOLUTIONS: HOW AI IS TRANSFORMING THE PEO INDUSTRY

BY ANDREW LINDLEY

The PEO industry has always been about making business easier by offering streamlined HR, payroll, benefits, compliance and risk management services to help clients focus on growth. But now, a new force is reshaping how PEOs deliver value: Artificial Intelligence (AI).

Far from being just a buzzword, AI is emerging as a game-changer, offering smarter insights, faster processes, improved accuracy, and client satisfaction. As the pace of business accelerates and client expectations rise, AI isn't just an option for forward-thinking PEOs, it's quickly becoming a necessity for all.

Below are some of the key areas where AI is making a difference.

PAYROLL PROCESSING AND ERROR REDUCTION

AI-driven payroll systems can automatically detect anomalies, flag potential errors, and ensure timely filings.

Machine learning algorithms learn from past mistakes, reducing compliance risks and costly human errors.

RECRUITING AND TALENT ACQUISITION

AI-powered tools can screen resumes, rank candidates, and even conduct first-round interviews through chatbots. Natural language processing (NLP) enables deeper analysis of candidate profiles, helping recruiters identify high-potential hires faster and more accurately.

BENEFITS ADMINISTRATION AND PERSONALIZATION

AI can simplify benefits enrollment by analyzing employee data to recommend personalized benefits packages. For example, an employee with a young family might be nudged toward comprehensive health coverage, while a younger worker might be offered financial wellness tools or student loan assistance options.

EMPLOYEE ENGAGEMENT AND RETENTION

AI systems can track engagement metrics—from email sentiment to productivity levels—and alert HR teams to potential burnout or disengagement before it becomes a turnover problem. Predictive analytics can guide tailored retention strategies, improving workplace satisfaction and stability.

CLIENT SERVICE AND RETENTION

In the world of PEOs, satisfaction levels are multi-faceted and can change quickly. Using AI systems to analyze sentiment, satisfaction scores, and customer service interactions can alert account management teams well ahead of a potential loss of a client. AI also enables PEOs to deliver more proactive, consultative guidance rather than just reactive support. For example, dashboards can flag potential workforce issues before clients notice them or AI-generated reports can offer strategic HR



Ultimately, the most successful PEOs are those who understand their core strengths, weigh the total cost of ownership, and align their AI approach with business priorities.

recommendations tailored to a client's industry, size, and growth stage. Lastly, AI also enhances communication. Virtual HR assistants and intelligent chatbots are available 24/7 to answer routine employee queries, reducing strain on HR teams and improving the client experience.

When it comes to AI adoption, there's no one-size-fits-all approach. In the PEO industry, organizations typically choose one of three paths (or a combination of them) based on their resources, technical expertise, and business strategy.

ENHANCE THROUGH THIRD-PARTY PLATFORMS

Most PEOs rely on trusted software vendors for payroll, human resource information systems (HRIS) or benefits management, and those platforms are increasingly embedding AI features. This "plug-and-play" approach offers a low-lift way to gain AI-driven insights without the need for deep technical investment. It's ideal for small to mid-sized PEOs looking to scale quickly and affordably.

BUILD PROPRIETARY AI SOLUTIONS

For larger PEOs with in-house data science and engineering capabilities,

developing custom AI tools offers greater control and competitive differentiation. These PEOs can tailor models to their unique data and workflows, whether that's predicting client churn, optimizing benefits design, or improving employee onboarding.

PARTNER WITH AI CONSULTING FIRMS

Another route is to work with external consultants who specialize in AI implementation. This option allows PEOs to benefit from AI expertise without building a full internal team. Consultants can help design and deploy solutions tailored to specific use cases, such as compliance automation or predictive workforce analytics.

When deciding which of the above approaches to pursue, remember that

building AI internally can be rewarding, but it's resource-intensive and requires ongoing maintenance. It makes the most sense when the problem you're solving is highly specific to your business or when AI can provide a lasting strategic edge. On the other hand, leveraging AI capabilities from vendors or consultants can help you move faster and minimize risk, especially for well-defined tasks like resume screening, sentiment analysis, or benefits optimization. Ultimately, the most successful PEOs are those who understand their core strengths, weigh the total cost of ownership, and align their AI approach with business priorities.

As the PEO industry continues to evolve, AI will play a central role in

redefining what's possible. AI won't replace the human touch that makes PEO services personal and impactful. Instead, it will enhance PEO services, delivering the insights and agility today's client's demand. The firms that embrace these tools to not just automate, but to innovate as well, will be best positioned to thrive in an increasingly complex, competitive business environment.

The future of work is here and with AI, PEOs can help lead the way. ■



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THE NEXT LEVEL: PEOs AND THE ISSUES OF EMPLOYING PREDICTIVE ANALYTICS

BY SCOTT A. JOHNSON

Predictive analytics is the process of using AI, data and algorithms that can learn from data to forecast future outcomes and trends to optimize preferred strategic progression in order to develop and improve performance. PEOs have a unique opportunity to maximize this advantage via real time payroll and historical risk data to advance assessment and predictive modeling in their operational ability to integrate, analyze and coordinate multiple streams of data. Examples of this data include client operational methodologies, facility/environmental conditions, employee job classifications, safety mandates, historical claims and employee work hours/shifts.

CLEAN AND CORRECT DATA

For a predictive analytics model to accurately learn and predict client

behavior, the data set used to train the model needs to be as accurate as possible. Sanitizing data is the quintessential first step for PEOs when embarking on and solidifying predictive analytics project management. It is imperative that the transformation of raw data be driven into an applicable arrangement for analysis, removing errors, omissions and anomalies to ensure the reliability and veracity of the data. Operationally reinforcing the importance of quality data is paramount as large datasets can have combined negative effects, such as wasting project production time and increasing costs. Common data challenges, like missing, outdated or incorrect information, can result in an incomplete picture of a risk and flawed underwriting and pricing decisions. The data must be complete, validated and consistently cleaned to support accurate analysis.

RISK IDENTIFICATION CONSTRUCT

Risk identification is the process of determining potential risks faced by an organization. It is the proverbial laying of the cornerstone in building and maintaining a proactive risk management program. It involves systematically recognizing and cataloging potential threats that could adversely affect the PEO's ability to achieve its risk management objectives. The very nature of predictive analytics is forward looking and historical data analyzation allows PEOs to identify hazards, assess the risks and create methodologies to control the risks. At its core, this data analyzation highlights a course of action in which the PEO could make rapid, informed decisions from the five main risk management actions: transference, toleration, manage, terminate or acceptance of the risk.



Another benefit from using deep data driven predictive analytics is that it provides a next level opportunity to solidify and personalize the PEO's relationship with its client.

EMERGING WORKERS' COMP. RISK PROFILES

As the rapid integration of technology continues to evolve, the nature of work and workplaces will be increasingly complex and vary greatly from their earlier incarnations and greatly expanding their boundaries and reshaping traditional production patterns. Clients of PEOs will adopt new ways of production as markets expand, and the nature of work evolves. Technology has already changed and will continue to bring opportunity, paving the way to create new jobs, increase productivity, and deliver rapid performance and services. By gaining deeper insights into their clients' preferences and behaviors, PEOs deploying predictive analytics modeling can hyper illuminate and bring data-driven solutions to customized pricing. Instead of relying on broad risk categories, PEOs can tailor premium discounts or increases, based on algorithmic data to individual clients based on their specific individual risk profiles. As traditional production and service patterns evolve at an ever-increasing rate, predictive analytics is a strategic imperative.

IMPROVE AND EXPEDITE WORKERS' COMP. CLAIMS

Specific data driven predictive analysis can be used to help identify high-risk claims early, thereby enabling proactive intervention strategies to improve safety outcomes and reduce claims. The applied use of the aptly deployed predictive analytics algorithms will have the ability to transform the claims process. The properly applied use of predictive analytics can be used to expedite and enhance the workers' comp. issues such as triaging of claims, identifying outlier claims and identifying and stratifying a claims' beginning to end probability. This ability will enable the PEO to algorithmically determine the best place to allocate PEO assets.

DEEPER CLIENT RELATIONSHIPS

Another benefit from using deep data driven predictive analytics is that it provides a next level opportunity to solidify and personalize the PEO's relationship with its client. By virtue of the process, client operational management data collection involves the collection, organization and utilization of that data to enhance the PEO's risk management program. It should be noted that this also provides a framework to enhance the clients' experiences with the PEO. By collecting this data, the PEO gains a detailed and integral understanding of individual client choices, whether they pertain to products, services or communication channels. Via this opportunity, it is possible for the PEO to provide a more robust, personalized, and relevant client experience, leading to more targeted digital outreach and increased client satisfaction. This in and of itself will lead to improved client loyalty by providing a

personalized experience for the client. I mean after all, clients want to feel that the PEO really knows their business, business model, and its values and methodologies as a company.

CHALLENGES AND OPPORTUNITIES

As predictive models continue to evolve, they can and must be further refined with additional data points, becoming even more accurate in their forecasts. This allows organizations to stay ahead of emerging risks and adjust their strategies in real time. As the costs associated with workplace injuries rise, having a robust, data-driven risk management strategy will be critical to maintaining competitive advantage. It should be noted however, that taking a cautious, strategic, detailed and forward-looking considered approach to improving operational risk management efficiency is paramount for developing a foundational predictive analytics model that will be critical to the success or failure of the PEO's predictive analytics-driven risk management program. If done properly and observing this precept, the end result will be PEO risk management program's operating efficiently, responsively, and successfully. In the final analysis, by managing the PEO/client preferences and operational methodologies across all parts of an enterprise, it will be possible to deliver truly client tailored experiences, allowing PEOs to build stronger relationships, drive client loyalty and achieve optimum business performance. ■



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AI WITHOUT THE BUZZWORDS: PRACTICAL APPLICATIONS FOR PEO LEADERS

BY JASON FRENCH

Everyone in your organization is using AI somewhere, somehow. If they aren't, you should worry. If they are without much intention or discretion, be afraid.

I'm often asked about my opinion of AI and its fast adoption, given my background in both machine learning and psychological science. To be honest, it's not a frightening revolution as much as careful evolution of iterative statistical models. What's new is its accessibility to companies of all sizes. The real risk is that AI adoption is happening organically, without strategic thought given to where it best adds value.

Your team is already using LLMs such as ChatGPT to draft emails, Claude to analyze spreadsheets, and Copilot to quickly debug

their production code. The question isn't whether AI will transform your PEO—it's whether you'll guide it strategically or let it happen haphazardly, with biased decisions and unrealized value following.

Understanding these statistical models matters because they excel at pattern recognition in complex scenarios—exactly what PEO operations demand. At StoicLane, through our work with Armhr and other portfolio companies, we've discovered that the most successful AI implementations don't eliminate human judgment when thoughtfully applied. Instead, they amplify it.

In this article, I explore three core operational challenges that AI can address across PEOs. Done correctly, the payoff isn't just efficiency. It enables your team to do what we humans do best:

build trust, navigate complexity, and solve contextual problems.

THE THREE PILLARS OF PEO OPERATIONAL EXCELLENCE

Every PEO executive knows the obstacles that keep them awake at night. Despite investing millions in sophisticated platforms and carefully hiring talented teams using behavioral principles, three fundamental challenges persist across the industry.

System Mastery: PEO platforms are sprawling ecosystems of interconnected modules, each with its own logic, workflows, and exceptions. New hires often take months to become proficient due to this complexity, and even experienced staff struggle with edge cases or infrequently used features.

Process Consistency: Most PEOs operate with a patchwork of outdated SOPs, tribal knowledge, and ad-hoc procedures. When documentation exists, it's often buried in shared drives, lacks version control, and reflects how things were done rather than how they should be done. You're left wondering which opinion to trust.

Compliance Velocity: In the PEO world, every decision carries compliance implications. The pressure to be both fast and accurate creates an impossible tension and difficult optimization curve. Move too quickly and risk regulatory violations; move too slowly and lose clients to more responsive competitors.

These challenges aren't just operational inefficiencies. They're barriers to the high-touch, consultative service that differentiates premium PEOs from commoditized offerings.

STRATEGIC AI APPLICATIONS: ENHANCEMENT OVER REPLACEMENT

The key to successful AI implementation lies in understanding the intersection of where human expertise is irreplaceable and where technology can eliminate friction. Here's how forward-thinking PEOs are applying AI to each opportunity.

System Training: Intelligent Learning Companions

Traditional training approaches—remote classroom sessions, curated video libraries, or crafted wiki documentation—often fail because they're static and disconnected from real work. AI-powered learning systems change this dynamic entirely because language models are excellent tutors to get people up to speed quickly in a bidirectional manner.

Contextual Guidance: AI assistants integrated directly into PEO platforms can provide real-time guidance based on the specific screen, client, and task at hand. Instead of searching through training materials, team members receive relevant

information precisely when they need it, curated based on the rich contextual history of that employee or conversation.

Adaptive Learning Paths: Machine learning algorithms can identify knowledge gaps by analyzing user behavior patterns and tracking mistake frequencies. This enables personalized training that focuses on specific areas where individual team members need the most support.

Scenario-Based Practice: AI can generate realistic client scenarios for training purposes, allowing team members to practice navigating complex situations in a safe environment. These scenarios can be tailored to specific roles, experience levels, and common challenges that your organization experiences based on your client profile.

The result isn't just faster team member onboarding—it's more confident, capable team members who can handle complex situations independently while knowing when to escalate appropriately.



The question isn't whether AI will transform your PEO—it's whether you'll guide it strategically or let it happen haphazardly, with biased decisions and unrealized value following.

Process Excellence: Living Documentation Systems

Static SOPs are often dead on arrival in the dynamic PEO environment. AI-powered process management transforms documentation from a compliance checkbox into a living, breathing operational asset.

Dynamic Process Maps: AI can analyze actual workflow data to identify discrepancies between documented processes and real-world execution. This analysis reveals where existing procedures have evolved organically and highlights opportunities for refinement.

Intelligent Process Assistance: Each client situation is different, and interpreting existing documentation can require years of experience. Rather than requiring staff to search for and interpret written procedures, AI can guide them through complex processes step-by-step, adapting instructions based on client-specific requirements and regulatory considerations. This allows more accurate navigation of client situations while quickly increasing your team's domain knowledge.

Continuous Improvement: Machine learning algorithms can identify patterns in process deviations, bottlenecks, and exceptions to suggest improvements. Like iterative software development, this creates a feedback loop where processes evolve based on real operational data rather than periodic reviews.

Version Control and Distribution: AI systems can ensure that team members always access the most current procedures while maintaining audit trails of changes and their rationale.

This approach transforms process management from a bureaucratic burden into a competitive advantage that drives consistency and efficiency.

Compliance Acceleration: Intelligent Risk Assessment

Compliance in the PEO space requires balancing speed with accuracy—a challenge that AI is uniquely positioned to address through risk-based decision support.

Risk Stratification: AI can analyze client requests, regulatory requirements, and historical data to categorize decisions by risk level. Low-risk, routine matters can be processed automatically or with minimal human oversight,

while high-risk situations receive appropriate attention.

Regulatory Intelligence: Machine learning systems can monitor regulatory changes across multiple jurisdictions and automatically update relevant procedures,

alerts, and decision trees. This ensures compliance guidance remains current without requiring manual monitoring of hundreds of regulatory sources.

Decision Support Systems: Rather than replacing human judgment, AI

provides compliance professionals with relevant precedents, applicable regulations, and risk assessments to inform their decisions. This accelerates decision-making while maintaining human oversight for complex situations.

Audit Trail Generation: AI systems can automatically document the rationale behind compliance decisions, creating comprehensive audit trails that satisfy regulatory requirements while reducing administrative burden.

The goal isn't to automate compliance decisions—it's to give compliance professionals the information and confidence they need to make faster, more informed decisions.

IMPLEMENTATION FRAMEWORK: FROM VISION TO REALITY

Successfully implementing AI enhancements requires a structured approach that prioritizes quick wins while building toward transformational change.

Phase 1: Foundation Building (Months 1-3)

Start with data infrastructure and change management. AI systems require clean, accessible data and staff who understand the technology's role in enhancing rather than threatening their positions.

Data Audit: Assess current data quality, accessibility, and governance practices. Identify gaps that could limit AI effectiveness.

Change Management: Engage team members as partners in the AI journey. Involve them in identifying obstacles and testing solutions to build buy-in and gather valuable feedback.

Pilot Selection: Choose specific use cases with clear success metrics and manageable scope. System training assistance or simple process guidance often provide excellent starting points.

Phase 2: Targeted Deployments (Months 4-9)

Focus on specific solutions that address your organization's most pressing

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challenges while building internal AI capabilities.

System Integration: Deploy AI tools that integrate seamlessly with existing workflows rather than requiring separate systems or additional steps.

User Training: Provide comprehensive training on AI tool usage, emphasizing how these systems enhance rather than replace human expertise.

Feedback Loops: Establish mechanisms for collecting user feedback and measuring impact. Use this data to refine implementations and identify expansion opportunities.

Phase 3: Scaling and Optimization (Months 10-18)

Expand successful implementations and begin developing more sophisticated AI applications based on lessons learned.

Cross-Functional Integration: Connect AI systems across departments to create seamless workflows and eliminate handoff friction.

Advanced Analytics: Leverage accumulated data to develop predictive capabilities and more sophisticated decision support systems.

Continuous Improvement: Establish processes for ongoing optimization based on performance data and changing business requirements.

Phase 4: Strategic Differentiation (Months 18+)

Use AI capabilities to create sustainable competitive advantages and new service offerings.

Client-Facing Applications: Develop AI-enhanced client portals and self-service capabilities that improve client experience while reducing service costs.

Predictive Services: Offer proactive recommendations and insights based on data analysis and predictive modeling.

Market Expansion: Use AI efficiencies to serve market segments or geographic areas that were previously uneconomical.

PROPERLY MEASURING SUCCESS: BEYOND SIMPLE METRICS

Traditional ROI calculations often miss the full value of AI implementations in service-oriented businesses. Successful PEOs should track multiple dimensions to properly assess long-term impact.

If an effect isn't measurable, you should be skeptical that it exists. This principle should guide your evaluation approach across four key areas:

Operational Efficiency: Response times, error rates, process completion times, and resource utilization provide baseline efficiency measurements.

Service Quality: Client satisfaction scores, employee confidence levels, and compliance audit results reveal whether AI enhancements improve rather than compromise service quality.

Retention and Continuity: Employee retention, client retention, and service expansion capabilities indicate whether AI investments support long-term business objectives.

Innovation Metrics: Time to implement new services, ability to serve new market segments, and competitive differentiation demonstrate AI's role in strategic positioning.

THE HUMAN-AI PARTNERSHIP

The most successful implementations in the PEO space don't replace human expertise—they amplify it. By handling routine tasks with more efficiency, providing intelligent assistance to increase accuracy, and accelerating decision-making to increase speed, AI frees your team to focus on relationship building, navigating complexity, and contextual problem-solving.

This human-AI partnership creates a virtuous cycle: AI handles the mechanical aspects of PEO operations, allowing humans to spend more time on high-value activities that drive client satisfaction and business growth. As AI systems learn from human expertise, they become more

effective at supporting decision-making and process execution.

The PEOs that thrive won't be those that replace their people with technology—they'll be those that use technology to make their people more effective, more confident, and more valuable to their clients.

LOOKING FORWARD: THE COMPETITIVE IMPERATIVE

AI adoption in the PEO industry isn't just about operational efficiency—it's about adaptive competitiveness. At its core, AI is the scaled application of decision support systems augmented with superhuman long-term memory. When deployed thoughtfully, it enhances the precision, consistency, and responsiveness of service delivery without eroding the human relationships that form the backbone of effective PEO partnerships.

Organizations that successfully implement AI enhancements will deliver faster, more accurate, and more consistent service while maintaining the human relationships that define exceptional PEOs.

The question isn't whether AI will shape the future of the industry—I'm certain that it will. The real question is whether your organization will model that trajectory intentionally or be reshaped by those who do. Organizations that frame AI not as automation, but as augmentation, will emerge ahead by amplifying their expertise, judgment, and interpersonal nuance in ways that already set them apart.

The future of PEO lies in understanding that AI is not an artificial surrogate for human intelligence, but a technological scaffold that elevates it, making human expertise more scalable, insights quickly actionable, and human capital more valuable. ■



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AI AND PEOs: WHAT COMES NEXT?

BY MARK STEIGER

Artificial Intelligence is a topic of widespread interest and is often touted as the solution to nearly every business challenge. While AI's complete impact is yet to be seen, most would agree that it will influence nearly every industry, including PEOs.

If asked, an AI engine like Chat GPT might say "AI can transform PEOs from being viewed as administrative vendors to *strategic business partners* by offering predictive, proactive, and personalized services at scale." A shift that changes how a marketplace perceives the industry could bring significant opportunities for PEOs.

Jarryd Bradley, Chief Technology Officer at Workforce Management Agency, anticipates AI-powered PEOs will play a big role in how employees get work-related information. "Interactive chatbots have become mainstream. Most people are familiar with talking to a chatbot like Siri or Alexa, and generative AI has shifted the search engine user experience."

"However," he continues, "Human connections are still essential. AI isn't a total replacement for business experts. It's a tool that advances self-service to a

place where issues and business processes can be handled much more quickly and efficiently."

AREAS OF AI INFLUENCE IN THE PEO INDUSTRY

1. Task automation
2. Predictive analytics
3. Benefits enrollment and administration
4. HR decision-making
5. Employee recruitment and onboarding
6. Customer service

AI will affect the entire breadth of the industry, including PEOs, their HR business partners and other trusted advisors, PEO clients, and the employees who work for the clients. Some areas where AI is likely to play a part in the predicted industry transformation include data-driven matching, customer service, chatbots, and data acquisition.

PEOs

PEO platforms are ideal systems for AI deployment. They feature a wide range of functions, quickly analyzing and providing insight into large datasets as they grow. AI-influenced changes made by the PEO companies will influence entities and

individuals throughout the PEO development, sales, and usage environment.

Benefit Enrollment

More than just streamlining benefit enrollment processes for PEOs, AI enables PEO companies to add personalization and intelligence to match companies with relevant benefit programs.

AI-driven systems can analyze a company's HR, benefits, and compliance needs, then match those requirements against a broad array of PEO offerings. This data-based analysis ensures a precise fit between client and PEO. As they select the best PEO solutions for a company, AI algorithms may consider factors such as industry, company size, risk profile, and desired benefits as it makes its recommendations.

Customer Service

Manual methods dominate the actions PEOs take to maintain client relationships today. With AI on board, PEO companies can be more strategic about how they ensure their clients are happy, satisfied, and likely to renew their contracts.

AI could, for example, monitor each client's use of various aspects of the

PEO platform and issue quarterly personalized reports showing each client how much time and money they saved with the PEO services. Client communications generated by AI might also include informational content about underutilized PEO services, automating part of the process to connect businesses with important improvements to their operations.

A.I. FOR PEO ADVISORS AND HR BUSINESS PARTNERS

Bringing on a new client for HR and PEO service providers can occupy the time of many individuals working over a number

of weeks. AI technology can automate many of the tasks an organization must complete, such as analyzing data or composing inquiries sent to the entities involved. The technology offers an opportunity to shorten the implementation process and use fewer people to do it. This allows these organizations to grow and prosper while reducing overhead.

Task Automation

Mundane tasks, such as managing appointments, client outreach, prioritizing, and scheduling, can be done more efficiently with AI assistance. The technology can help track implementation objectives,

manage required documentation, and monitor compliance deadlines.

AI-powered virtual assistants can also provide answers to client questions, guiding them through claims or onboarding processes and keeping them up to date on progress.

Businesspeople have become comfortable with AI assistance very quickly. Every search engine has AI built in and the degree to which many people have experimented with prompting far surpasses most other recent technological innovations. The barrier to entry and acceptance level of using AI to support customers through a business process are quite low.

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Data Collection

AI tools can automate data gathering activities and extract information from company applications, contracts, and other documents PEOs require for underwriting and onboarding. The act of requesting information and waiting for responses typically slows PEO onboarding efforts. AI-powered quality control features can catch data inconsistencies or highlight missing information, eliminating many of the delays caused by communication loops that occur between PEO underwriters, brokers, and clients. AI never sleeps, takes breaks or gets swamped by emails. This allows businesses to complete the data submission process much quicker; possibly in a single session.



Some areas where AI is likely to play a part in the predicted industry transformation include data-driven matching, customer service, chatbots, and data acquisition.

AI FOR PEO CLIENT COMPANIES

Intelligent features built into PEO platforms can offer PEO clients enhanced performance in many areas of their businesses. The technology can often turn tasks traditionally handled with in-person, phone, or email communications into self-serve applications that deliver satisfactory results whenever they are needed.

Interactive HR Chatbots

Specialized AI chatbots supplied by the PEO and made available to the client's employees can reduce the need for company HR professionals to answer common employee questions. AI can handle questions such as "Is my doctor in-network?", "What is my co-pay for office calls?", or "How do I start an FMLA request?".

AI chatbots might also help clients with business questions about workers' compensation claims, payroll and tax questions, employee compensation rates, etc.

This always-available resource could allow employees and their family members to deal with problems as they arise, allowing the issue to be dealt with instantly without drawing key resources like HR away from other critical tasks.

Will AI dispense medical advice? Probably not. Employees should not rely on AI for medical diagnosis or treatment plans. However, it could supply general guidance for things like remembering to make doctor appointments for follow-up visits or providing suggestions for physical therapy from highly rated providers covered by their health plan. AI might send wellness reminders for recommended tests or check-ups according to the employee's age, health history, and physical condition.

Existing data from previous cases and similar conditions lets AI offer more clarity to the people that need it most, enabling them to ask the right questions of the professionals delivering the final course of action. After all, being as informed as possible about your condition and potential solutions are key to getting the best medical treatment.

Employee Recruitment and Management

AI can review resumes of job applicants to find candidates to fill a new vacancy. It can also speed up screening and

ranking of new job candidates, identify employee retention risks, and highlight workforce trends.

AI-driven onboarding platforms can guide new hires through paperwork, training modules, and benefits selection, making the process faster, more intuitive, and less stressful. Chatbots can answer questions instantly, ensuring new hires feel supported from the beginning of their employment.

AI can analyze performance data and compare employees against industry standards, providing personalized feedback and identifying areas for growth. Employees benefit from clearer expectations and more constructive, actionable reviews based more on verifiable facts, and less on opinion. The AI can recommend training and career pathways that lead employees to their desired career goals.

THE PEO TRANSFORMATION

Companies involved in developing AI see a future where people develop high trust in AI and come to expect digital assistants to do things for them. With access to calendars, communications, individual history, personal and professional objectives, current events, and other information, these digital assistants can relieve humans from routine tasks that occupy our time and our mental bandwidth, freeing us to do more creative thinking and problem-solving. AI will definitely change the way PEO professionals and users work, and it might even change the way clients think about their PEO partners. ■



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- Unemployment insurance
- Workers' comp
- Health and other benefits
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- Records/record retention requirements



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NAPEO25

BY CASEY M. CLARK

As you've likely heard by now, we've been working on a new strategic plan for the association that the board unanimously approved in May. One of the four core pillars seeks to position NAPEO as the definitive PEO industry convener. If you've seen our upcoming events page (napeo.org/events), you know there is no shortage of opportunities to participate in or attend a NAPEO-sponsored event or webinar, so this is not a new goal, but it's one we're deeply committed to. In an industry as engaged and connected as ours, it's critical that we continue to harness this energy to drive meaningful progress for your businesses and clients.

The biggest of all our events is the Annual Conference & Marketplace. This year we gather in Austin, Texas, from October 6 to 8. If you haven't already registered, please do so (and tell a few colleagues!). I look forward to seeing all of you there. (More details available at napeo.org/annualconference.)

The team is hard at work assembling a program that offers something for

everyone. Education sessions will span the PEO gamut from HR and legal issues to emerging risks and technologies to sales and marketing strategies. I can promise you these will be must-attend sessions led by industry experts. You'll leave Austin knowing more than you did before.

You will also benefit from plenty of networking opportunities, and I'm sure there will be no shortage of topics for discussion: Several major provisions in the budget reconciliation package that President Trump recently signed into law will impact PEO operations, no tax on tips and overtime in particular; Emerging technologies pose both challenges and opportunities; An uncertain economic climate causes disruptions and headwinds for clients, impacting PEO growth.

I've heard from so many of you that the informal conversations in the hallways, over coffee or at the bar can be invaluable. These conversations can solve problems, spark ideas and innovation and forge meaningful partnerships. I've said it 1,000 times, but our industry's commitment to each other, and to raising the tide



The biggest of all our events is the Annual Conference & Marketplace. This year we gather in Austin, Texas, from October 6 to 8.

for PEOs, not our own boats, is a true differentiator and nowhere is this more on display than at the Annual Conference. The marketplace exhibit hall will connect you with leading industry service providers and partners. You'll get the chance to learn about the latest solutions, tools and products for PEOs.

It won't be all work, though. Our evening event on Tuesday night will feature a local Austin band to keep us entertained and there will be plenty of good food and drinks.

Spending a few days together in Austin will yield year-long results. We'll learn new information and glean valuable insights to help our businesses succeed. Our networks will expand with new contacts and strengthened relationships. And our industry will be better for all of your contributions, connections and collaboration. ■



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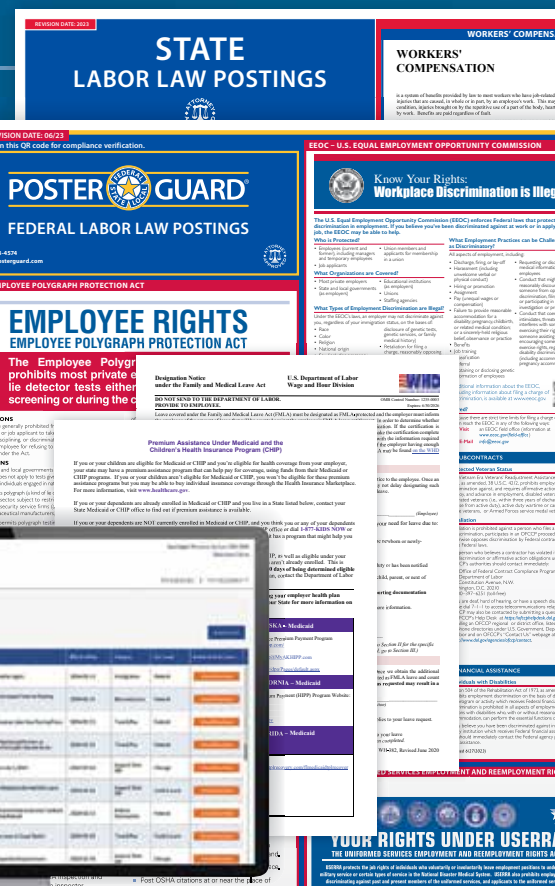
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