

PEO INSID

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PROFESSIONAL EMPLOYER ORGANIZATIONS*

26  NATIONAL
PEO WEEK

HR | PAYROLL | BENEFITS | COMPLIANCE

MAY 17-23 2026

THIS MONTH'S FOCUS

THE PEO COMPLIANCE LANDSCAPE

EVOLVING
REGULATORY
CLIMATE

HIDDEN RISK
& EXPOSURE

THE AI FRONTIER

COVER STORY

MEET CONGRESSMAN RICHARD NEAL

A Q&A WITH THE HOUSE WAYS & MEANS
RANKING MEMBER

Rep. Richard Neal (D-MA), House Ways & Means Committee Ranking Member

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VOL. 30 ISSUE 4

MAY 2026

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► Rep. Richard Neal (D-MA)

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NAPEO PAC: SUPPORTING THE INDUSTRY'S FUTURE

BY BILL MANESS

As we gear up for National PEO Week, I'm reminded just how powerful our collective voice can be when we come together as an industry. In the next few weeks, many of us will gather in Washington, D.C. for the annual PEO Capitol Summit—a cornerstone event that continues to elevate our visibility and influence on Capitol Hill.

It is more than a series of meetings and sessions; it's a demonstration of the value we bring to small and mid-sized businesses nationwide. The real-world stories about how PEOs support job growth, provide access to employee benefits and help businesses navigate a complex regulatory landscape matter. Policymakers need to hear firsthand how their decisions affect employers and employees, and there is no substitute for authentic voices.

However, it's important to remember that advocacy is an ongoing commitment, not just something reserved for PEO Capitol Summit. The policy environment continues to evolve, and the decisions being made at both the federal and state

levels have significant implications for our businesses and clients. That's why sustained engagement with policymakers is so critical. It's not just about showing up once a year; it's about maintaining relationships to ensure that our perspective is consistently represented.

A key component of that ongoing effort is NAPEO PAC. The PAC enables us to support candidates who understand and champion the interests of the PEO industry. It ensures that we have a seat at the table and that our voice is heard in meaningful ways. Participation in NAPEO PAC is one of the most direct and impactful ways you can contribute to our collective success. Every contribution strengthens our ability to advance policies that support our members and the businesses they serve.

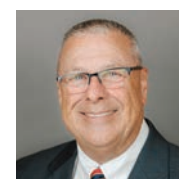
I encourage you to consider deepening your engagement—whether by attending future advocacy events or contributing to NAPEO PAC.

As we get ready to celebrate America's 250th anniversary of independence, NAPEO PAC is marking this milestone with

a special fundraising campaign. For 250 years, American enterprise has powered growth, innovation and opportunity. The PEO industry represents those same values by empowering businesses, strengthening workforces and advancing free enterprise.

All NAPEO PAC contributors are invited to attend the PAC appreciation event during PEO Capitol Summit. Those who contribute at least \$1,250 will receive a commemorative American flag flown over the United States Capitol. Plus, those who contribute at least \$2,500 will also receive a custom NAPEO PAC Yeti cooler bag.

Our industry's strength has always come from its people—dedicated professionals who believe in the value of what we do and are willing to fight for it. As we look ahead, let's continue to build on that momentum so we help shape our industry's future. ■



BILL MANESS

2025-2026
NAPEO Chair
CEO
Syndeo

QUICK HITS

M&A

ONEDIGITAL ACQUIRES METHOD HRM

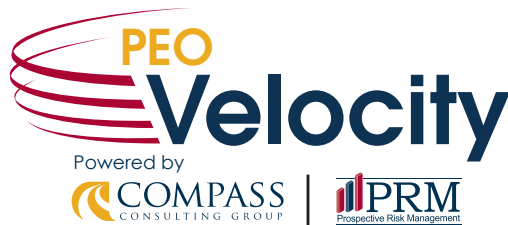
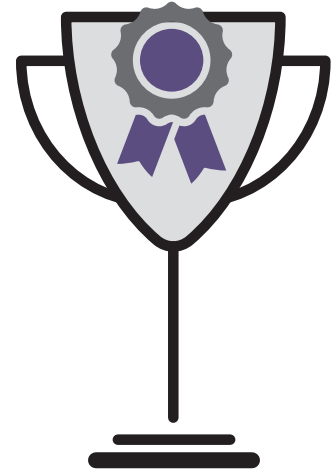
NAPEO member OneDigital has acquired Method HRM, a Dallas-based PEO exclusively dedicated to serving the senior living and assisted living sector. This strategic addition strengthens OneDigital's ability to deliver specialized HR, employee benefits, compliance and risk management solutions. "We believe this partnership will bring even greater value to clients through enhanced capabilities. As more businesses turn to outsourced solutions to streamline operations and reduce administrative complexity, Method HRM is a strong complement to our growth strategy," said Ted Crawford, president of OneDigital PEO. ■



CONGRATULATIONS

THE EMPLOYER GROUP NAMED A 2026 BEST PLACE TO WORK

NAPEO member The Employer Group has been recognized as a Best Place to Work by Madison Magazine. This marks the company's sixth time receiving the prestigious honor since 2015, highlighting a proven, long-term commitment to its employees. "We are incredibly proud to be recognized as one of the Best Places to Work, and it is especially meaningful knowing this honor reflects the experiences of our team," says Luke Anderson, president of The Employer Group. "This recognition reinforces our belief that when we invest in people and support one another, we create a culture that brings out our best and moves us forward together." ■



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LEADERSHIP

AMERITAS ANNOUNCES NEW PEO RETIREMENT PLANS TEAM MEMBERS



NAPEO member Ameritas announced new members of the retirement plans pooled employer sales and relationship management team, including Brad Andelt as business development specialist, Andrew Gunning as national sales director for the PEO/MEP/PEP business and Denise Williams as relationship manager for the PEO/MEP/PEP market. "I am very excited about the team we've built to support the PEO, MEP and PEP retirement plan market," said Scott Holechek, vice president of sales, distribution and relationship management, retirement plans at Ameritas. "With leaders like Brad, Andrew, and Denise, we're bringing together decades of industry experience, deep Ameritas knowledge, and an unwavering commitment to our partners." ■

KUDOS

SYNDEO WINS CLEARLYRATED'S 2026 BEST OF HR SERVICES AWARD

NAPEO member Syndeo has won the Best of HR Services Award for providing superior service to its clients. ClearlyRated's Best of HR Services® Award winners have proven to be industry leaders in service quality based entirely on ratings provided by their clients. "Earning ClearlyRated's Best of HR Award for the seventh consecutive year is an incredible honor and a testament to the trust our clients place in us," said Bill Maness, president and CEO of Syndeo. "This recognition reflects the dedication of our team who show up every day committed to delivering meaningful, human-centered solutions that help move businesses forward. We're grateful for the continued opportunity to support our clients' success, and we remain driven to raise the bar for excellence in HR year after year." ■

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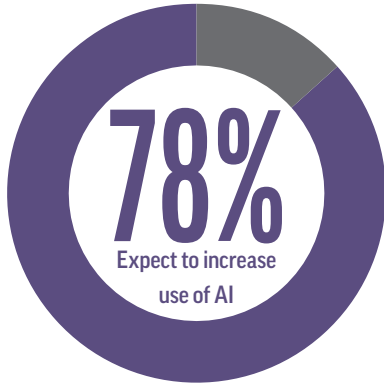
Contact John Harman, PEO Solutions
john.harman@aon.com +1 907.742.0887



QUICK HITS

INSIGHTS

NEW SURVEY SPONSORED BY TRINET FINDS SMBs ACCELERATING AI ADOPTION



NAPEO member TriNet has released the results of a new survey conducted with Harvard Business Review Analytic Services. Among 230 survey respondents familiar with U.S. talent practices at their small and medium-size businesses, 76% expect their organization to increase its use of AI in the next 12 months, highlighting the technology's growing presence in everyday operations. However, just 19% of respondents feel their organization is highly prepared to recruit or develop the AI skills needed, underscoring a widening capability gap. ■

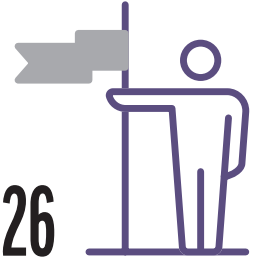
PARTNERSHIP

NAYYA PARTNERS WITH FOYER

NAPEO member Nayya has partnered with Foyer, the first dedicated 401k for homeownership, to introduce a first-time homeownership benefit on the Nayya platform. Through the partnership, employers using Nayya's agentic platform will have the option to offer Foyer as a benefit that helps employees move from renting to owning by saving for a down payment, building credit and navigating the full path to purchase in one place. "By adding Foyer's first-time homebuyer experience to our platform, we are helping employees turn homeownership from a distant goal into a concrete, guided plan," said Sarah Liebel, CEO of Nayya. "Together, we are expanding the definition of financial wellness in the workplace to include the place people call home." ■

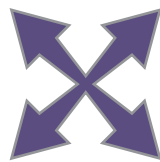
CONGRATULATIONS

ISOLVED NAMED A LEADER IN NUCLEUS RESEARCH SMB HCM TECHNOLOGY VALUE MATRIX 2026



NAPEO member isolved has been named a Leader in the Nucleus Research SMB HCM Technology Value Matrix 2026 for the third consecutive year. The annual Value Matrix evaluates HCM providers based on usability and functionality, highlighting vendors that deliver measurable value to small and midsize organizations. "HR teams need more than automation alone. They need technology that helps them reduce complexity, make better decisions and create better outcomes for their people and their business," said Pragya Gupta, chief operating officer of isolved. "Being named a Leader by Nucleus Research reflects our focus on delivering a connected HCM experience and human-centered AI innovation that reduces manual work, surfaces meaningful insights and helps customers drive more value from their people strategy." ■

EXPANSION



NEXTEP EXTENDS ITS FOOTPRINT TO FOUR NEW MARKETS

NAPEO member Nextep has expanded into four new U.S. markets: Scottsdale, Arizona, Atlanta, Georgia, Chicago, Illinois and Greenville, South Carolina. These moves represent a significant step in the company's growth strategy as it continues to put down roots in communities known for thriving economic environments. "At Nextep, our focus has always been on building meaningful, lasting relationships with our clients," said Brian Fayak, founder and CEO of Nextep. "By establishing a local presence in these cities, our sales and service teams can work side-by-side with clients as we continue to provide award-winning, white glove service." ■

KUDOS

VENSURE SECURES \$450M TERM LOAN TO FUEL EXPANSION



NAPEO member Vensure Employer Solutions has secured a \$450 million senior delayed draw term loan. The company will use the funds to continue pursuing its merger and acquisition strategy and bolster its technology. "Stone Point Capital Markets continues to deliver outstanding support in raising capital needed for us to execute on our M&A strategy," said Alex Campos, CEO of Vensure Employer Solutions. "As we look ahead in 2026, we see immense opportunity in the market. This financing positions us to maintain the rapid growth we've experienced since partnering with Stone Point Capital." ■

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EVOLVING REGULATORY CLIMATE





WAS *LOPER BRIGHT* A PAPER TIGER?

BY KERIM FIDEL, ESQ.

The Supreme Court's 2024 *Loper Bright* decision overturned the longstanding *Chevron* doctrine which required courts to generally defer to administrative agencies' interpretations of statutes, holding instead that courts would determine for themselves the best interpretation unless a statute explicitly granted that authority to the agency. This seemed to portend a new balance of power where agencies would be challenged at every opportunity leading to a deluge of litigation, reticence to promulgate new regulation and regulatory uncertainty. As *Loper Bright* approaches its second anniversary, were these expectations justified?

Initially it seemed they were. In the two months following its release, federal courts of appeal cited *Loper Bright* 26 times while striking four regulations, halting 15 others, and denying three agency requests to pause litigation. However, the situation may have stabilized; earlier this year the Department of Justice's Civil Division, Tax Litigation branch reported that agency win rates in court held steady at roughly 60%, similarly to before *Loper Bright*. This suggests that while agencies are not enjoying unfettered deference, they are not being reflexively overruled.



Before *Chevron* federal courts applied the Supreme Court's 1944 *Skidmore* decision, deferring where they found agency interpretations "persuasive," a frustratingly amorphous standard. Many wonder if *Loper Bright* resurrected *Skidmore*. While it hasn't explicitly said so, the Supreme Court seemed to head in that direction in its *VanDerStok* and *Braidwood* decisions (confirming ATF's regulation of ghost guns and HHS's authority to appoint members of a task force respectively) upholding agency positions consistent with past practice to which Congress had not objected. Post-*Loper Bright* several lower courts have approvingly cited *Skidmore*, perhaps because it provides a rationale for courts to avoid acting as super-regulators where agencies have specialized expertise (one of the objectives of *Chevron* and one of the potential pitfalls of *Loper Bright*). The reemergence of *Skidmore* suggests courts will not closely scrutinize every agency position, but when they do the outcome may be more subjective, complex and hard to predict.

Courts seem to have invoked *Loper Bright* particularly when considering highly sensitive agency actions as opposed to workaday technical ones (where they may be more inclined to

Loper Bright cannot be understood in a vacuum. The Supreme Court's prohibition on lower court national injunctions in the Casa case reduces litigation stakes for agencies and potential rewards for private litigants which could embolden an agency to regulate aggressively.

apply *Skidmore*). For example, *Loper Bright* was cited when courts considered the U.S. Department of Education's Biden-era definition of sex discrimination under Title IX (including reference to sexual stereotypes, gender identity, and sexual orientation), the FCC's extension of National Registry protections to cell phones, and in habeas petitions challenging the U.S. Attorney General's and Bureau of Prisons' implementation of the First Step Act.

If fear of *Loper Bright* challenges is deterring federal agencies from issuing regulations and guidance they have not said so openly. Commentators note, however, that agencies appear to be laying the groundwork to survive challenges by taking more care to justify their regulations in preambles, demonstrate compliance with notice and comment requirements and emphasize any available statutory delegation of authority. Some agencies have also undertaken reviews of existing regulations. It is hard, however, to gauge *Loper Bright*'s influence on such efforts given the Trump administration's preference for deregulation.

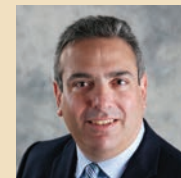
STATE COURTS TAKING NOTICE

Though *Loper Bright* applies to federal agencies, being an important precedent, state courts have taken notice of it. However, its state-level impact is also hard to assess since each state approaches deference in its own way. State courts that embraced *Chevron* may still do so despite it being overruled at the federal level until their state legislature or state Supreme Court weigh in, as Indiana's legislature has done. The Vermont Supreme Court declined its first opportunity to decide whether *Chevron* still applies while

the Hawaii Supreme Court emphatically refused to follow *Loper Bright*.

Loper Bright cannot be understood in a vacuum. The Supreme Court's prohibition on lower court national injunctions in the Casa case reduces litigation stakes for agencies and potential rewards for private litigants which could embolden an agency to regulate aggressively. Courts can look to other tools, like *Skidmore* and the major questions doctrine, as aids or alternatives to applying *Loper Bright*. And as the federal regulatory agenda becomes ever more driven by executive orders and tweets, the extent to which courts will be accommodating or suspicious of agencies could be fluid.

Loper Bright jurisprudence is still young. While to-date it has proven to be important it has not (yet) changed the regulatory landscape as radically as some expected. Agencies continue to regulate (where directed by the administration) and courts generally continue to defer to them (though not as presumptively as under *Chevron*), invoking *Loper Bright* when they believe agencies have overstepped. ■



KERIM FIDEL, ESQ.

Director, Legal
Paychex
West Palm Beach, FL

RECENT EEOC DEVELOPMENTS: TELEWORK ACCOMMODATION GUIDANCE AND HARASSMENT GUIDANCE RESCISSION

BY GORDON M. BERGER, ESQ.



The Equal Employment Opportunity Commission (EEOC) recently issued significant guidance and has taken significant regulatory action. On February 11, 2026, the EEOC released frequently asked questions (FAQs) addressing telework as a reasonable accommodation for employees with disabilities. Separately, on January 22, 2026, the Commission voted to rescind its 2024 Enforcement Guidance on Harassment in the Workplace. Although these developments arise in different contexts, both affect how PEOs and their clients navigate disability accommodation requests and harassment-prevention obligations.

With respect to telework accommodations, PEOs should review existing remote work arrangements that they granted as disability accommodations and assess whether those arrangements remain necessary and appropriate.

TELEWORK ACCOMMODATION GUIDANCE

On February 11, 2026, the EEOC published guidance titled “Frequently Asked Questions from the Federal Sector about Telework Accommodations for Disabilities.” Although the FAQs target federal agencies implementing President Trump’s return-to-office directive, they track the ADA’s reasonable-accommodation framework for private employers, including the statutory duty to provide reasonable accommodations absent undue hardship. See 42 U.S.C. §§ 12112(b)(5)(A), 12111(9)–(10); 29 C.F.R. § 1630.2(o) (defining “reasonable accommodation”).

HERE ARE KEY COMPONENTS OF THE GUIDANCE.

Telework Must Serve a Legitimate Accommodation Purpose

The guidance explains that telework qualifies as a reasonable accommodation only when it enables an employee to participate in the application process, perform essential job functions, or access equal benefits and privileges of employment. Requests based solely on symptom mitigation or personal preference—without a demonstrated nexus to essential functions or equal workplace benefits—generally do not establish entitlement to telework as an accommodation under the ADA’s reasonable-accommodation standard.

Employers May Select Alternative Accommodations

When multiple effective accommodations exist, employers retain discretion to choose among them, even if telework is the employee’s stated preference. Alternatives may include assistive technology, environmental modifications, job restructuring, or modified schedules. Employers are not obligated to provide the specific accommodation an employee requests so long as the selected alternative is effective and does not impose an undue hardship.

Existing Telework Arrangements May Be Reevaluated

Employers may periodically reassess telework accommodations based on changes to an employee’s medical condition, job duties, operational needs, or applicable law. Consistent with the ADA’s individualized-assessment approach, employers may request reasonable medical documentation when the disability and/or need for accommodation is not obvious, and they may adjust or discontinue an accommodation if it is no longer needed or if it would impose an undue hardship.

In-Person Attendance May Be an Essential Function

The guidance confirms that temporary pandemic-era telework arrangements did not permanently alter a position’s

essential functions. Determining whether in-person presence is essential requires a case-specific assessment that considers the employer’s judgment and written job descriptions, as well as incumbents’ actual work experience. The ADA does not require an employer to eliminate an essential function as an accommodation, so the essential-functions analysis often drives whether telework is feasible. Employers should pay particular attention to interactive roles involving supervision, collaboration, and teamwork.

Commute Difficulties Generally Do Not Warrant Telework

Employers typically have no obligation to accommodate an employee’s commute. However, depending on the facts, employers may need to consider accommodations that address workplace barriers related to commuting (e.g., modified schedules or temporary telework) where they enable performance of essential functions or equal access to workplace benefits and do not impose undue hardship.

Noncompliance May Be Disciplined

Employees who refuse to report to the office after an employer properly denies or rescinds telework may face discipline consistent with the employer’s attendance policies. Before imposing discipline, employers should ensure the employee understands the decision and invite discussion of in-office alternatives.



RESCISSION OF THE 2024 HARASSMENT GUIDANCE

On December 29, 2025, the EEOC submitted a request to the Office of Information and Regulatory Affairs (“OIRA”) within the Office of Management and Budget as part of its process to rescind its 2024 Enforcement Guidance on Harassment in the Workplace. The Biden Administration issued the guidance, which provided detailed direction and real-world examples of what does—and does not—constitute workplace harassment.

This rescission effort followed developments earlier in 2025. In May 2025, after the U.S. District Court for the Northern District of Texas vacated nationwide portions of the guidance addressing

harassment based on gender identity, the EEOC annotated the online document to reflect the vacated sections. At that point, the Commission lacked a quorum and could not formally rescind or revise the guidance. In October 2025, quorum was restored and allowed the Commission to proceed.

The January 22 Vote

On January 22, 2026, the EEOC met and voted 2–1 to rescind its 2024 Enforcement Guidance on Harassment in the Workplace. Chair Andrea Lucas and Commissioner Panuccio voted in favor of rescission, while Commissioner Kalpana Kotagal dissented. The Commission acted without a notice-and-comment period and removed the guidance from its website after the vote.

Key Context

The 2024 Harassment Guidance consolidated prior EEOC materials and addressed contemporary issues, including digital harassment and the implications of the Supreme Court’s decision in *Bostock v. Clayton County* for sexual orientation and gender identity. The May 2025 court ruling vacated only the LGBTQ-related portions of the guidance, but the 2026 rescission removes the guidance in its entirety—not solely the sections the Court vacated.

Practical Effect

The rescission has limited immediate legal impact because EEOC guidance is sub-regulatory and does not bind courts. Federal anti-harassment statutes and



With respect to harassment prevention, PEOs should not interpret the rescission as a signal to relax anti-harassment policies or training programs.

controlling case law remain in force, and courts—not the EEOC—ultimately determine Title VII’s scope. State and local civil rights laws prohibiting harassment continue to apply regardless of EEOC guidance.

Critically, the Supreme Court’s decision in *Bostock* remains controlling precedent and establishes that Title VII prohibits discrimination based on sexual orientation and gender identity. The Court also noted that certain related issues (including sex-segregated bathrooms and locker rooms) were not before it. *Id.* Harassment remained the most frequently alleged claim in the EEOC’s FY 2024 charge docket, and the agency will continue to investigate and seek remedies for valid harassment claims despite the rescission.

IMPLICATIONS FOR PEOs

PEOs should consider the following in light of these developments.

With respect to telework accommodations, PEOs should review existing remote work arrangements that they granted as disability accommodations and assess whether those arrangements remain necessary and appropriate. When evaluating new requests, PEOs should engage in the interactive process and recognize that telework is one of several potential accommodations—not a default entitlement. Documenting the business necessity for in-person attendance, particularly for collaborative or supervisory roles, will support defensible decision-making.

With respect to harassment prevention, PEOs should not interpret the rescission

as a signal to relax anti-harassment policies or training programs. Title VII’s prohibitions remain fully enforceable, and *Bostock* continues to require coverage of sexual orientation and gender identity discrimination. PEOs operating in multiple jurisdictions should also remain attentive to state and local laws that may provide broader protections than federal law. ■

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



GORDON M. BERGER, ESQ.

*Founding Partner
Pierson Ferdinand
Greensboro, GA*



HIDDEN EXPOSURE AND RISK

THE CHATGPT PLAINTIFF IS BECOMING A PEO PROBLEM

BY JOHN POLSON, ESQ., EVAN SHENKMAN, ESQ. AND DAVID WALTON, ESQ.

You may have heard about the rise of the “ChatGPT plaintiff,” the pro se (self-represented) litigant who decides to sue their employer without an attorney to assist them, believing that generative AI tools like ChatGPT provide everything they need to represent themselves. Employees representing themselves with the help of AI are filing more employment lawsuits, drafting motions and discovery requests faster, and doing so with a level of sophistication that would have been unimaginable five years ago. What do PEOs need to know about this latest litigation trend, and what can you do to protect your organization and your clients?

THE NUMBERS ARE HARD TO IGNORE

Pro se employment lawsuit filings increased 49% last year (from roughly 4,100 to 6,400 cases nationally), whereas attorney-led workplace law filings only grew by 15%. Fisher Phillips attorneys handling these cases say AI is a primary driver of the pro se explosion.

Tools like ChatGPT allow unrepresented plaintiffs to generate professional-looking pleadings in minutes, research case law (accurately or not), respond to motions with speed that surprises even experienced defense counsel, and pursue appeals that previously would have exhausted a pro se plaintiff's patience and resources long before reaching that stage.

The practical consequences for employers are significant: inflated settlement demands, warped litigation budgets, and cases that simply don't resolve the way they used to. One FP attorney estimates businesses should plan for at least a 10 to 15% increase in litigation spending to account for the new pro se reality. Another described a pro se plaintiff who filed a seven-page memo to strike affirmative defenses within 30 minutes of receiving an answer. That's the employer story. The PEO story adds another level of complexity.

CO-EMPLOYMENT MEANS CO-EXPOSURE

When a worksite employee files suit, they often name every entity that looks like an employer. That means PEOs often get pulled into these cases as a named co-employer with potential liability, and not just as a peripheral party. The same dynamics driving up costs and inflating settlements for individual employers apply to PEOs,

with one important difference: PEOs face this exposure across their entire client portfolio simultaneously.

A mid-sized PEO serving several hundred client companies will soon be dealing with several AI-assisted pro se cases at any given time if they aren't already. And each case will demand attorney attention, citation verification, discovery responses, and strategic decisions about settlement. The volume problem that one employer experiences in isolation becomes a portfolio-wide operational challenge for a PEO.

And there's another layer worth considering. Your clients' general HR infrastructure (like onboarding documents, handbooks, disciplinary records, and termination paperwork) are often handled by your PEO team. These documents become the evidentiary record in employment litigation, and ChatGPT plaintiffs may turn their attention to them. It's easy to imagine a pro se plaintiff prompting their AI system to find "what do I need to win my case" and then try to build arguments directly against documentation your PEO helped create. That means the quality of that documentation matters more now than it ever has.

WHAT PEOS SHOULD BE DOING

The strategic response operates on two levels: internal and client-facing.

- Prepare to fight AI with AI. Defense lawyers who are not using AI to improve efficiency and speed will be at a disadvantage defending against a pro se plaintiff armed with ChatGPT. Some businesses have been hesitant to allow their lawyers to use AI. Granted,

The practical consequences for employers are significant: inflated settlement demands, warped litigation budgets, and cases that simply don't resolve the way they used to.

must be used responsibly and there are risks manage, but someday, not using AI tools in a legal fight will be the equivalent of bringing a knife to a gun fight.

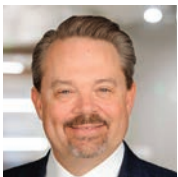
- Internally, PEOs should revisit their budget assumptions. At least in the short term, volume is likely to go up, resulting in higher insurance premiums and legal fees.
- Legal teams and outside counsel should have a shared protocol for flagging AI indicators in pro se filings: citation errors, leftover ChatGPT prompts in documents, implausibly fast turnarounds, and briefs that explain basic legal concepts at length as if educating a non-lawyer reader.
- On the client-facing side, this is an opportunity to add value. Many PEO clients (particularly smaller businesses with limited legal knowledge) have no idea this trend is coming for them. You can walk clients through the new litigation landscape and help them better understand the PEO's value proposition.

- Finally, don't overlook the documentation quality point. AI will expose vulnerabilities in policies and procedures like never before. A pro se plaintiff can upload an employee handbook or terms and conditions and very quickly get an outline of every vulnerability in the documents.

THE TAKEAWAY

The rise of the ChatGPT plaintiff reflects a permanent shift in the competence and confidence of pro se plaintiffs. The PEOs that get ahead of it will be better positioned than those that treat it as someone else's problem. ■

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



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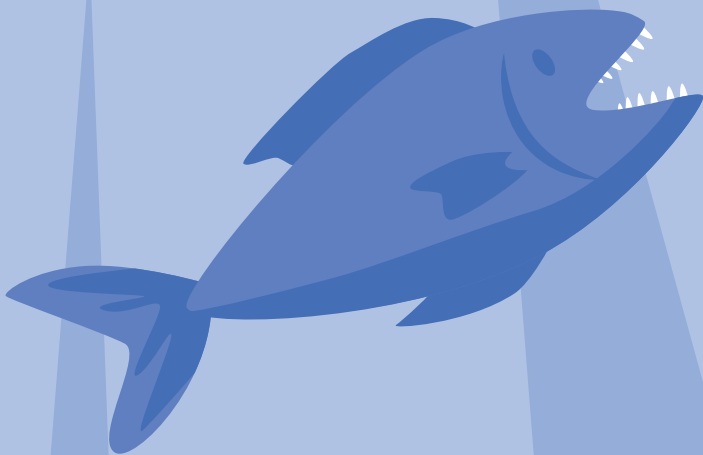
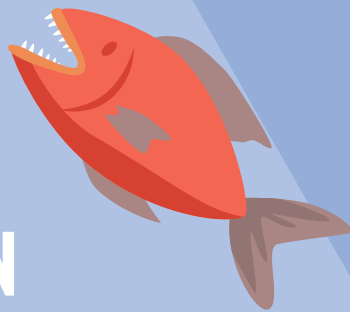
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THE FIDUCIARY PARADOX:

WHY MANUAL BENEFITS ADMINISTRATION IS A HIDDEN LIABILITY

BY MIKE ANTCZAK



The PEO model is built on absorbing a client's administrative complexity. That is the baseline of the industry. But there is a massive difference between absorbing complexity and actually solving it. Right now, behind the promise of a frictionless client experience, highly paid professionals are acting as human APIs. They are spending hours manually re-keying data between a master HRIS and disparate carrier portals.

In today's regulatory environment, we can't treat administrative hygiene as just another operational metric. Manual data entry isn't just a bottleneck anymore. It is a direct fiduciary and legal liability.

THE PREMIUM LEAKAGE BASELINE

HR and finance leaders often assume a delayed termination is a minor nuisance. They figure they can just fix it later with a retroactive credit. The data says otherwise.

According to the 2025 KFF Employer Health Benefits Survey, average annual premiums reached \$9,325 for single coverage and \$26,993 for family coverage. When a benefits specialist gets buried in spreadsheets and misses a batch of updates, the financial bleed starts immediately. If you assume standard employer subsidization rates, the cash leaving your account every 30 days for an ineligible person is roughly \$653 for single coverage and \$1,687 for family coverage.

Let's say your team experiences some systemic drift. A specialist has a chaotic quarter and misses a few updates.

In today's regulatory environment, we can't treat administrative hygiene as just another operational metric. Manual data entry isn't just a bottleneck anymore. It is a direct fiduciary and legal liability.

Leaving just two family plans and three single plans active for six months post-termination burns through nearly \$32,000 in unrecoverable premium leakage.

That loss happens without a single claim being filed. It is purely the cost of administrative friction. But for a PEO acting as a plan sponsor across thousands of covered lives, this leakage is just the tip of the iceberg.

THE CATASTROPHIC CLAIM AND THE STOP-LOSS TRAP

The real fiduciary exposure kicks in when you look at self-insured plan structures.

Imagine an employee is terminated, but a missed manual update leaves them active in the Third-Party Administrator (TPA) system. Weeks later, that former employee visits the emergency room and racks up a \$50,000 bill. Since their insurance card still works, the plan pays the claim.

When the PEO tries to recover those funds through stop-loss insurance, the carrier will audit the file. If they find out the claimant was actually terminated before the ER visit, they can deny the reimbursement based on eligibility clauses. Suddenly, the PEO is fully on the hook for a catastrophic claim. This isn't a coverage dispute; it is a penalty for a data lag.

THE COBRA COMPLIANCE TRIGGER

Relying on manual processes also creates immediate legal exposure under the Employee Retirement Income Security Act (ERISA). When a termination falls through the cracks between the HRIS and the carrier, the required COBRA election notice never gets generated.

Failing to provide a timely COBRA notice carries a penalty of up to \$110 per day, per beneficiary. We are seeing a growing trend in litigation over deficient or late COBRA notices, with class-action settlements reaching the millions. A PEO simply cannot promise to protect clients from compliance risk if its own internal data pipelines routinely miss regulatory deadlines.

THE SHIFT TO EXCEPTION-BASED MANAGEMENT

Getting this under control requires a shift in mindset. PEO executives need to stop managing data entry and start building reliable, automated data pipelines.

Industry leaders are mitigating their fiduciary risk by moving to an exception-based management model. In this setup,

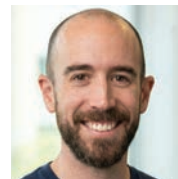
clean data flows directly from the master platform to carrier systems via standardized EDI feeds without anyone having to touch it. Before leaving the organization, the system validates the data against predefined rules to catch missing information, age-outs, or eligibility conflicts.

Instead of reviewing every single record, benefits and compliance teams only look at the small fraction of cases flagged as exceptions. You apply human judgment where it actually adds legal and strategic value, not where it just moves text from one screen to another.

PROTECTING THE SHIELD

You cannot build a scalable, legally sound PEO on the back of manual processes. Automating the mechanical work of benefits administration does a lot more than just improve margins. It establishes a verifiable data provenance and a clean audit trail.

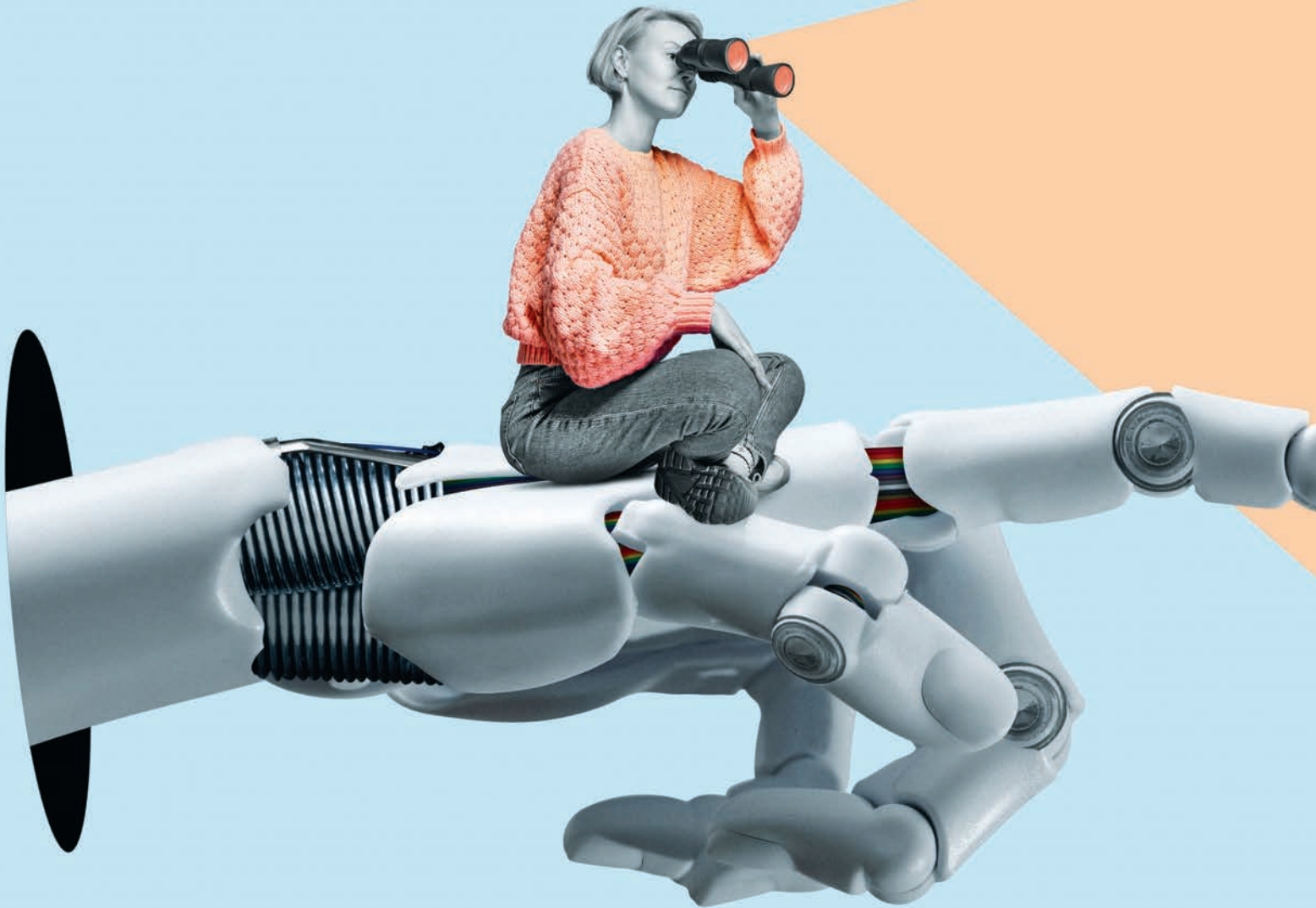
Automation stops the quiet burn of premium leakage, ensures strict adherence to COBRA timelines, and protects your stop-loss eligibility. Ultimately, treating data integration as a fiduciary duty is what allows a PEO to deliver on its original promise: true legal and compliance peace of mind. ■



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THE AI



FRONTIER

DATA PRIVACY AND THE PEO ROLE: Managing risk in a changing compliance landscape

BY KRISTEN FRADIANI

Data privacy has moved out of the back office and onto the leadership agenda, and for professional employer organizations (PEOs), it hits especially close to home. You're not just managing data. You're managing people's data across dozens, sometimes hundreds, of client environments. That brings a different level of responsibility and real, shared legal risk.

Across the United States, state privacy laws are rapidly expanding, while federal regulators are increasing enforcement around data handling, discrimination, and employee rights. If it feels like the ground is shifting, that's because it is. For the PEO industry, the challenge is complex but manageable with the right structure in place. In this article, we'll take a closer look at what matters now and how leading PEOs are responding.



THE GROWING MAZE OF U.S. PRIVACY LAWS

There is no single federal law that governs how employers handle employee data. Instead, we're working within a patchwork of state laws layered on top of existing federal requirements. California set the pace with the California Consumer Privacy Act (CCPA) and its expansion under the California Privacy Rights Act (CPRA). Since then, Colorado, Virginia, Connecticut, and Utah have followed with similar frameworks, and more states are moving in that direction. The scope of these types of laws is what's changed. These laws increasingly apply to employee data, not just consumer data. Payroll records, benefits information, performance documentation, and internal communications can all fall within scope.

The stakes are real. The global average cost of a data breach reached

\$4.44 million, but the United States continues to see significantly higher impact, with average breach costs rising to \$10.22 million—an all-time high driven in part by regulatory fines and higher detection and escalation costs (IBM, 2025). For PEOs managing data across multiple clients and systems, that exposure scales quickly.

At the same time, expectations are rising. Recent SHRM research shows growing concern among HR professionals about employee data privacy, and that concern is shaping employer expectations and decision-making.

WHY PEOS SIT IN A UNIQUE (AND COMPLICATED) POSITION

The co-employment model is part of what makes PEOs valuable. It also adds complexity to data privacy. Both the client and the PEO handle employee data. Both carry responsibility. But regulators do not always draw clear lines when something goes wrong.

In practice, PEOs operate across multiple roles, including data handler, compliance partner, and advisor. That advisory role is becoming more important as many small and mid-sized employers lack in-house privacy expertise.

There is also a workforce impact. Employees notice how their information is handled. Research from Harvard Business Review shows that when employees trust their employer to manage data responsibly, they're more engaged and more likely to stay. Trust shows up in retention, morale, and performance.

AI: HELPFUL TOOL OR HIDDEN RISK?

Now, let's talk about the elephant in the room: AI. It's everywhere right now. HR teams are using it to screen candidates,

draft communications, and even support performance reviews. Many of these use cases offer clear efficiency gains. Faster workflows. Less manual work. Cleaner data analysis.

But here's where things get a little uneasy. AI systems rely on large volumes of data, often including sensitive employee information such as compensation, health-related data, and disciplinary history. In many organizations, adoption is moving faster than oversight. For PEOs, the goal is to ensure AI supports decision-making without increasing legal exposure.

WHERE PRIVACY AND AI TEND TO COLLIDE

When AI is layered into an already complex privacy landscape, several risks emerge.

Data inputs: Open AI tools may retain or reuse submitted information. Entering sensitive employee data into these systems can create unintended exposure.

Vendor transparency: Not all providers clearly explain how data is stored, processed, or shared. Limited visibility increases compliance risk.

Explainability: Some AI systems function as "black boxes." If decisions cannot be explained, it becomes difficult to defend hiring, promotion, or disciplinary outcomes.

Employee monitoring: AI tools can track productivity, behavior, and location. States are beginning to tighten rules in this area. New York requires notice of electronic monitoring, and Illinois continues to enforce biometric privacy protections, with other states considering similar measures.

At the same time, digital HR adoption continues to grow, expanding both capability and exposure.

Across the United States, state privacy laws are rapidly expanding, while federal regulators are increasing enforcement around data handling, discrimination and employee rights.

WHAT EFFECTIVE PEOs ARE DOING RIGHT NOW

Leading PEOs aren't stepping back from technology. They are building structure around it by incorporating AI into data governance frameworks, defining what tools are approved, what data can be used, and who has access. They're limiting the use of open systems for sensitive data and setting clear internal guidelines. They are strengthening vendor oversight. Contracts go beyond service terms to address data use, security, and accountability.

At a minimum, PEOs should expect:

- Documentation on model design and data inputs
- Evidence of validation and bias testing
- Transparency on data storage, retention, and use
- Audit rights or third-party review options
- Defined processes for addressing bias or errors

They are also ensuring that AI-driven decisions can be reproduced and explained if challenged. Without that, defending employment decisions becomes more difficult.

Training is another focus area. Most data issues do not stem from bad intent, but from lack of awareness. Teams need clear guidance on handling sensitive data, responding to employee requests, and

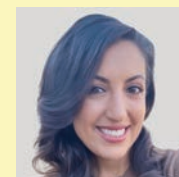
escalating potential issues. And importantly, strong PEOs are reviewing outputs. AI-generated insights are not taken at face value. They are evaluated, questioned, and validated.

THE ROAD AHEAD

It is easy to think of privacy as a compliance requirement. That view is becoming outdated. Privacy now connects directly to trust, and trust influences client relationships, employee engagement, and organizational stability.

Clients expect their data to be handled responsibly. Employees expect transparency. Regulators expect accountability. For PEOs, this creates an opportunity to strengthen their role as a compliance partner. Organizations that build strong privacy and AI governance practices will be better positioned to support clients and adapt as regulations evolve.

This is not about slowing innovation. It is about guiding it. Start with visibility. Understand your data. Strengthen your policies. Align HR, legal, and IT early. Because the tools will continue to evolve. The laws will too. The question is whether your approach evolves with them. ■

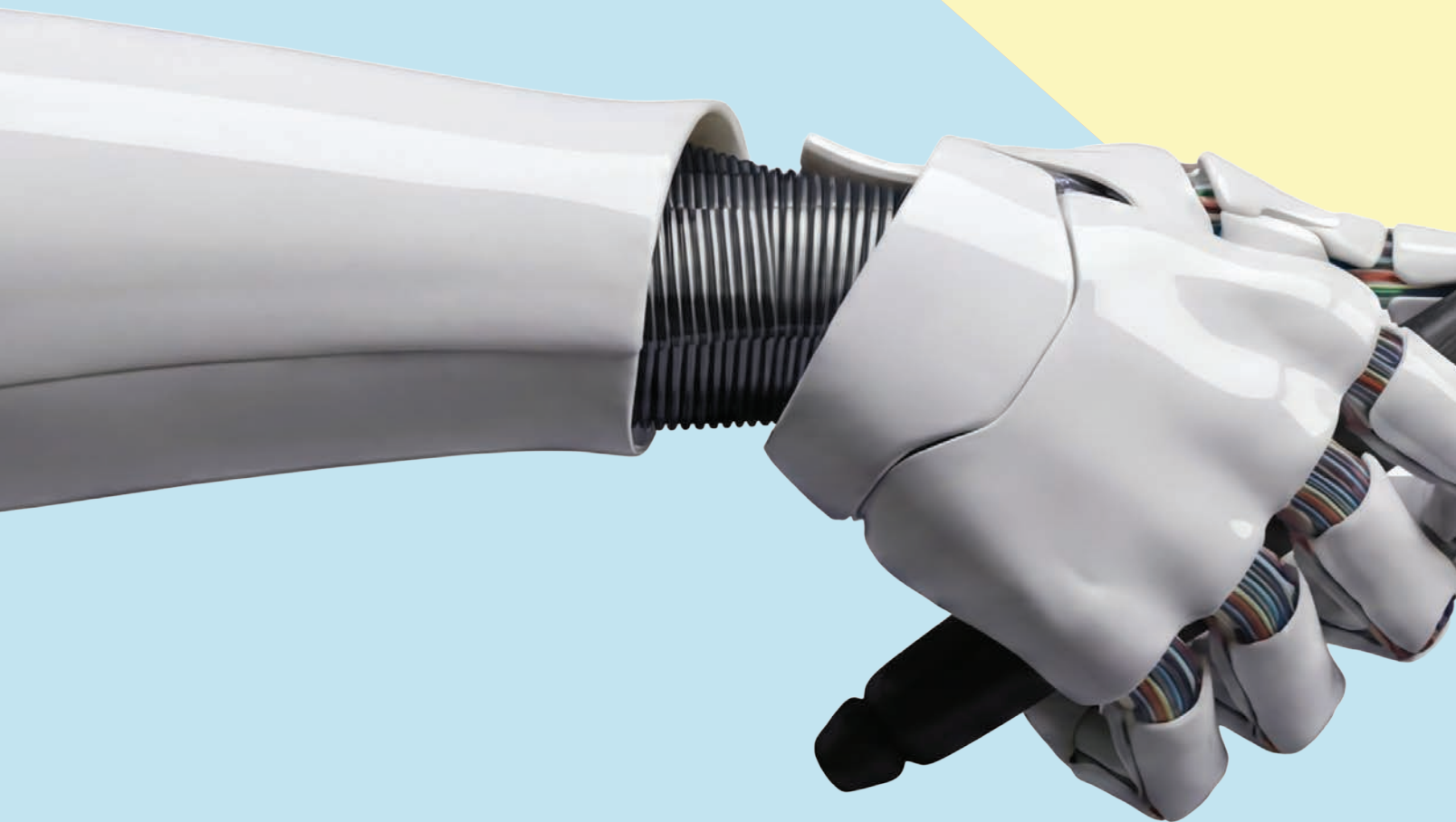


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REGULATING THE FUTURE: CHANNELING AI FOR GOOD

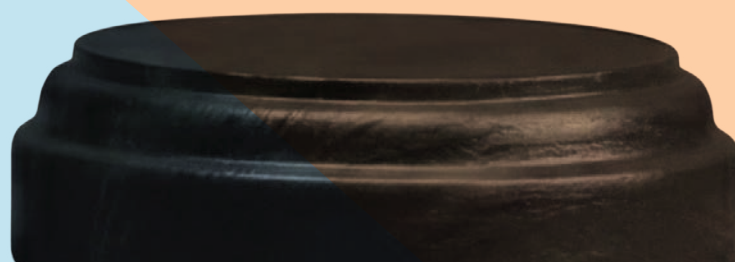
BY STEPHEN CALVERT, ESQ. AND IRIS GONZALEZ, ESQ.



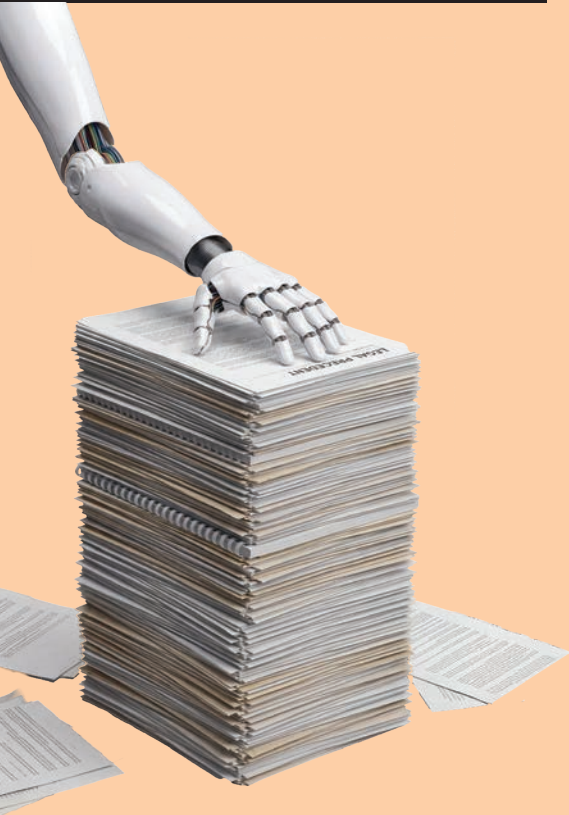


In 2022, Americans saw the promises and risks of artificial intelligence (AI) expand rapidly. Schools began piloting AI-powered tutoring, employers used algorithms in hiring and performance decisions, and families worried about increasingly convincing deepfakes. Policymakers faced a central question: How can society capture AI's benefits without undermining privacy, fairness, and economic stability?

That challenge has only grown. AI capabilities are advancing faster than legal and regulatory frameworks can adapt, producing a fragmented governance landscape. States are moving aggressively to fill gaps, while federal action remains incremental and sector specific. A workable path forward must balance these priorities: protecting civil rights, workers, and consumers without stifling innovation or competitiveness.



The United States still lacks a comprehensive AI statute and a national privacy law that would address AI privacy concerns. Instead, agencies and organizations must rely on and adapt existing frameworks to AI use cases.



KEY CONCERNS

Privacy and Data Protection. AI systems rely on vast quantities of data, sometimes personal or sensitive. Regulators are therefore focusing on informed consent, data minimization, cybersecurity, and limits on secondary data use. High-risk categories such as health, education, and financial data receive particular scrutiny because misuse can create lasting harm.

Employment Law. AI is now embedded in hiring, promotion, and performance management. While these tools can improve efficiency, they may also amplify bias, especially when trained on historical data. Regulators are testing how current employment and civil rights laws apply to automated decision-making, including whether transparency and human-oversight requirements are sufficient.

Job Displacement and Economic Inequality. AI-driven automation will displace workers across many industries. While new jobs emerge, the transition may be disruptive. Public policy has yet to address the need for large-scale reskilling, job-transition support, and modernization of safety nets, which raises the risk of widening economic inequality.

Environmental Impact. Training and deploying advanced AI models requires substantial computing power, driving significant energy demand. Data centers, cloud infrastructure, and specialized hardware are increasing concerns about emissions and resource consumption. Policymakers are exploring energy-transparency requirements and incentives for more sustainable AI development.

THE STATE AND FEDERAL PATCHWORK

State Action

Absent comprehensive federal legislation, states have taken the lead. The National Conference of State Legislatures reports that in 2025, more than 100 AI-related bills addressing transparency, privacy, discrimination, and workforce impacts were adopted or enacted across 38 states.

California has taken the approach of combining frontier-model safety measures with transparency rules. Requirements include safety testing, critical-incident reporting, and disclosure obligations under California Assembly Bill 2023. California has also issued Automated Decision-Making Technology regulations, effective January 1, 2027, that require notice, opt-out rights, and risk assessments for significant automated decisions that lack meaningful human review.

Other examples include Colorado and New York. The Colorado AI Consumer Protection Act regulates “high-risk” AI systems and requires transparency and risk mitigation in sectors including employment, housing, healthcare, and financial services. New York has proposed the Responsible AI Safety and Education Act, which would impose safety, transparency, and incident-reporting requirements on developers of advanced AI systems.

Federal Action

The United States still lacks a comprehensive AI statute and a national privacy law that would address AI privacy concerns. Instead, agencies and organizations must

rely on and adapt existing frameworks—such as Health Insurance Portability and Accountability Act and Gramm-Leach-Bliley Act—to AI use cases. Targeted sector-specific efforts include the TAKE IT DOWN Act, which criminalizes non-consensual AI-generated intimate imagery and requires its removal from platforms. In 2025, President Trump issued an executive order aimed at creating a more unified national approach, including the potential preemption of certain state laws and the formation of a federal AI task force. Congress has also considered bipartisan proposals such as the Algorithmic Accountability Act of 2025, which would require impact assessments and disclosures for high-stakes automated decision-making systems.

AI IN PROFESSIONAL EMPLOYER ORGANIZATIONS (PEOS)

Professional Employer Organizations (PEOs) operate at the intersection of human resources, payroll, benefits, and compliance, making them uniquely exposed to both the opportunities and risks of AI adoption.

AI-Driven Efficiency. AI enables PEOs to automate high-volume administrative processes such as payroll, onboarding, and benefits administration. Intelligent systems can validate data, detect anomalies, and reduce manual errors, improving both efficiency and service quality. However, these gains must be balanced with transparency and privacy requirements, especially when automated systems affect employee outcomes.

Compliance and Risk Management. Because PEOs serve multiple clients across jurisdictions, they face heightened compliance complexity. AI can assist by monitoring regulatory changes, flagging potential violations, and standardizing compliance workflows. At the same time, the use of AI itself introduces new regulatory exposure, requiring PEOs to carefully vet vendors, document decision processes, conduct impact assessments, and stay informed on the evolving legal and regulatory framework.

Data Governance and Privacy. PEOs often handle sensitive employee data, including health, financial, and personal information. AI-driven insights must be managed within privacy and security frameworks. Compliance with laws such as HIPAA and GLBA is essential, as is alignment with emerging state-level AI and privacy requirements.

RESPONSIBLY MAXIMIZING AI'S POTENTIAL

If implemented responsibly, AI positions PEOs to evolve from administrative service providers into strategic workforce advisors. By leveraging predictive analytics and real-time insights, PEOs can help clients make more informed decisions about hiring, retention, compensation, and organizational design, creating a competitive advantage in a rapidly changing labor market. AI should be leveraged as a force maximizer, within appropriate boundaries.

Responsibly maximizing the strategic opportunities AI brings will require government and other stakeholders to:

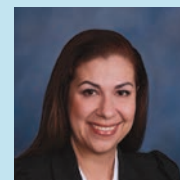
- Develop cross-sector standards for transparency, safety testing, and accountability.
- Create a national privacy baseline to reduce fragmentation and build public trust.
- Invest in reskilling, upskilling, and economic transition programs.
- Require monitoring of energy use associated with large-scale AI systems.
- Establish an independent body to investigate incidents and oversee high-risk AI.
- Include industry, academia, and communities in shaping AI governance.

AI is advancing faster than the law, leaving behind a patchwork of state initiatives and federal stopgaps. A durable regulatory approach must combine clear national standards with the flexibility to learn from state-level experimentation. For industries like PEOs—where AI intersects directly with employment, privacy, and compliance—the stakes are high. Thoughtful governance can ensure that innovation continues with appropriate safeguards. ■



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MEET CONGRESSMAN RICHARD NEAL: A Q&A WITH THE HOUSE WAYS & MEANS RANKING MEMBER



Rep. Richard Neal (D-MA).

Congressman Richard Neal (D-MA) has served Massachusetts in the U.S. House of Representatives since 1988. He has served most of that time as a member of the Ways & Means Committee and served as committee chairman from 2019 until 2023. He currently serves as the committee's ranking member. He spoke with NAPEO Vice President of Federal Government Affairs Kyle Kizzier about why public service matters, his policy priorities and why he fights for American workers.

KYLE KIZZIER: What first motivated you to seek public service?

REP. NEAL: My mom was a switchboard operator, but she was quite knowledgeable about politics and involved in a lot of campaigns. From conversations at the dinner table I always seemed to know who was running for what. It was infectious, I think.

I also was inspired when I saw Jack Kennedy the day before the election in 1960. He finished that campaign in three places:

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Waterbury, Connecticut; Springfield, Massachusetts; and Boston. My grandmother took me, along with my sisters, to the steps of the city hall to see him. The sense of idealism and can-doism was inspiring.

KK: As Ways & Means ranking member you have a big influence on tax and workforce policy. What are you focused on most right now?

RN: I certainly am focused on the [2025 tax] bill largely because of the impact it's likely to have on my constituents, particularly in healthcare. I would note the job growth that came last year in America was fairly flat, with the exception of healthcare. And in Massachusetts, that's a big deal.

It's also important to remember that most hospitals are more than half dependent on Medicare, and in some cases, closer to 75% between Medicare and Medicaid. Making sure that people have access to quality healthcare is very important.

KK: What is something you feel really defines your public service career?

RN: You know, a challenge we have now, as opposed to when I started way back, is there is less emphasis on achievement in Congress. There's less emphasis on what you've got done. Social media now not only highlights conflict, but causes the media to cover noise instead of actual accomplishments.

I was a lead negotiator during the USMCA (United States, Mexico, Canada

Agreement) negotiations, and I did it with a republican United States Trade Representative. It's the largest trade agreement in the history of the world. We came up with a good plan that many Democrats and Republicans voted for. SECURE 2.0 in the retirement space and the Inflation Reduction Act are also big legislative achievements.

I tell people with great satisfaction, in a time when everybody is questioning whether a hospital is going to close or merge with another, I got one opened. The experiences that I've had make me a champion and an advocate for my district.

KK: What are small business owners in your district telling you worries them the most?

RN: I hear a lot of concern about the tariff issue. Some businesses are reluctant to pass some of the costs on to customers because they are afraid people will postpone coming in.

I understand that the threat of a tariff could be a very important political tool as well as a policy consideration, and I understand what steel dumping does. So, targeted tariffs from time to time can make sense, but this notion that every economic challenge we have could be answered by simply imposing a new tariff is not workable. You never know from day to day where the tariffs are headed, and then businesses don't know how to plan for expenditures and investments.

KK: IRS modernization is something everyone can support. Why does this matter to taxpayers?



There's less emphasis on what you've got done. Social media now not only highlights conflict, but causes the media to cover noise instead of actual accomplishments.

RN: People must have faith in the Internal Revenue Service. It's not a republican or a democrat agency. It needed a serious investment, and we provided that with the Inflation Reduction Act's \$80 billion for upgrades. We have a very high voluntary compliance rate in America. I think about 87% of the American people pay their taxes on time. We provided the IRS more personnel which could be helpful in terms of constituent service. If I have an IRS issue from a constituent that writes to me or calls me, we will contact the IRS.

KK: Can you explain the importance of constituent casework?

RN: It's a big deal. The IRS will give due consideration, not favorable consideration, but due consideration to requests

that come from a congressional office. They will try to work with the taxpayer to point out what might be accurate or inaccurate and work out a way to resolve the issue.

KK: Why are you a champion of expanding access to retirement savings accounts?

RN: That half of the American people who go to work every day are not in a qualified retirement plan should get our attention. I was raised on social security survivor benefits by my aunt and my grandmother. I understand the value of Social Security. I don't know what my family would have done without it.

I think that the tax system ought to treat retirement savings favorably. Getting people to set aside money for retirement can be challenging. If you're in your 30s, 40s, or even 50s, and you're trying to send children to college, you might hold off on making retirement plan payments. In SECURE 2.0, we allowed what are known as catch-up provisions. That's a big deal. So, what you couldn't set aside between your 30s and 40s and maybe early 50s, you could favorably catch up at tax deferred status.

I also like the auto-IRA plan proposals and concept that many states have adopted. Compelling a 25-year-old male to set aside retirement savings is not an easy consideration, but the earlier you get started saving, the better off you are. One of the best things about the auto-IRA proposal is it allows the tax system to help small employers set up a retirement plan.

It's good for everyone if more people set aside retirement savings.

KK: How do you see PEOs playing a role in this issue?

RN: First of all, your advocacy is critical. Secondly, I think cutting through some of the complexities of the issue and sitting down with that 25-year-old male that I just referenced and saying, "look, don't give up the 5% match." We can celebrate the notion that we're going to live longer, but we have to realize we're also going to work longer. There's also going to be more cases of health issues with age, and the worrisome part is people won't be ready. Again, half of the American people who go to work every day are not in a qualified retirement savings plan. We need to get their attention, and that's where I think you folks come in.

KK: What is something about Congress that people misunderstand?

RN: Legislation is laborious. Sometimes you sit in a room for days and days as we did with USMCA. Bob Lighthizer [the US Trade Rep] would say to me, "how much longer are you going to keep torturing me, Richie?" and I'd say, 'see you tomorrow morning at 9 o'clock'.

You stay with it, and I think that perseverance is very important in public life. I had no guarantee about the outcome of USMCA, but I can tell you this, when you get 195 democrats and 194 republicans to vote for the same trade agreement, you've done something. ■



I was raised on social security survivor benefits by my aunt and my grandmother. I understand the value of Social Security. I don't know what my family would have done without it.

INVESTING IN YOUR FUTURE

BY ABRAM FINKELSTEIN

I was practicing law in Boca Raton, Florida in 1994, when someone approached me about the idea of starting a PEO, or, as it was known at that time, an employee leasing company. In trying to explain the concept to me, he started using terms such as FICA, FUTA, SUTA, workers' compensation, and a plethora of other acronyms with which I was unfamiliar. It was as if he was speaking another language that I did not understand. Notwithstanding my language barrier, I decided to move forward and to start a company in a new industry about which I knew almost nothing.

My first mission was to learn as much as I could about the industry that I had jumped into. I wanted to understand the business as well as I could and to learn it from the experience of others. It was also important to me that I knew what the issues for the industry were and how the people that came before me had worked through them.

At the suggestion of a friend and mentor, Mike Miller, I started volunteering to participate in the Florida Association of PEOs. I started slowly by attending meetings and watching the discussion of the various committees and the board of directors. I repeated that same pattern with NAPEO and started to participate in committees and attend board meetings. Over time, my participation increased and I was put on committees. After a period of time serving on committees, I was elected to the board where I eventually found my way into leadership. Before I knew it, over

twenty-five years had passed, and I spent almost all of it within the PEO industry association's leadership either at the state or national level.

Looking back, I can say with certainty that my participation in FAPEO and NAPEO have been highlights of my experience in the industry. First and foremost, I achieved my goal of learning the PEO industry from the best people in the business. I had the opportunity to spend time with the people that owned or operated businesses of all sizes, but all of whom were at the cutting edge of the industry. They all had their unique circumstances and ways of approaching the PEO delivery model, but each of them had something to teach me.

I was also in a position to stay well informed about all the legal, regulatory and even operational issues that the industry experienced. I was able to engage in discussions regarding those issues with the best and brightest in the industry and to share my experience about the ways to manage those issues.

I mingled with a group of entrepreneurs and professionals who were all passionate about the business and each of whom had their own approach to problem solving. I learned an incredible amount about business, management and leadership by spending as much time with those people as possible and watching how they behaved. Many of those people became my mentors and friends.

But there were several other advantages that I gained by volunteering to participate in industry associations. My involvement in the committees and boards was fun! I enjoyed going to



Looking back, I can say with certainty that my participation in FAPEO and NAPEO have been highlights of my experience in the industry.

conferences and meetings. I had the opportunity to participate in once-in-lifetime events at some of the most beautiful, interesting, historic and fun locations in the country. Moreover, I was participating with a group of people that became my colleagues, my support team and even some of my closest friends.

Over the years, I watched the industry go through several transformations, each of which propelled the business further and brought it to a new level of acceptance. We went from being a workers' compensation driven model, to a benefits driven model to a full-service human resources, benefits, risk management and HRIS delivery system that small and midsize businesses depend upon for growth! Each of those growth periods came with their own regulatory and legal challenges, but in each of them, our associations were pivotal in keeping our business moving forward, and I was able to meaningfully participate in that effort.

Of course, each person has their own level of commitment and there are costs to contributing to the industry.

The opportunity cost is that participation takes time, and some believe that the time committed to the industry does not benefit their business enough to carve it out. I understand that and will confess that there were times that I believed that I worked for NAPEO and that my side gig

was my PEO. But there is no question in my mind that the investment I made in my own knowledge and the growth of the industry paid off in the long run.

As with any volunteer position, there is also a financial cost to participate. Attending multiple meetings every year, strategically placed throughout the country, is not inexpensive. Many people would say that such is a cost that only large companies can bare, but I believe that the ability to participate at this level is a bargain for small and large operators alike! Where else can a small business get the access, support and participation that they get from the association?

Our industry covers so many different small business needs that we require participants with a wide variety of skills

and expertise. No matter what your interest or experience is, there is a need for it! NAPEO has several working groups and committees and each of those needs the knowledge and experience of people in the field.

The great thing is that each person can determine what the appropriate level of commitment is for them. There are so many ways to contribute that there is something for each of us. Consider participating in virtual meetings or even writing an article for the *PEO Insider!*

If you want to participate more fully, get engaged and volunteer on a NAPEO committee.

Just as with any other meaningful endeavor, we get out what we put in, and the results tend to follow the

level of effort.

Whether you are a PEO owner, operator, employee or a vendor to the PEO industry, there is a need for what you know. Whether you are an industry veteran or brand new to the industry, you have something to offer, and your engagement will be valuable. But what you get back will be a front row window view into the future of the industry, great experience and friendships that will last a lifetime, and that is priceless. ■



ABRAM FINKELSTEIN
Former NAPEO Board Chair
Fort Lauderdale, FL



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SUPPORTING CLIENT GROWTH ACROSS BORDERS: A GUIDE FOR PEOs

BY MIRANDA ZOLOT

As your clients scale their operations across state lines and international borders, they face mounting complexity in compliance, tax obligations, and employment regulations. For PEOs, this growth phase presents a unique opportunity to become a more strategic partner, not just another vendor processing payroll. By showcasing your expertise and a proactive mindset, you can turn their growth challenges into your biggest differentiator.

POSITIONING YOUR PEO AS A STRATEGIC GROWTH PARTNER

Having the right infrastructure and partnerships is just the first step. The real differentiator is how you position these capabilities to clients. There's a significant difference between being seen as a payroll processor and being viewed as a strategic growth partner. The former is transac-

tional and easily replaceable. The latter becomes essential to how your clients think about expansion.

To make this shift, start by understanding that most growing companies don't want to commit to massive infrastructure investments before they know if a new market will work. They want to test the waters: hire a few employees in a new state or country, see if the market responds, and scale up if it does. When you can offer solutions that let clients expand efficiently and compliantly without major upfront commitments, you become the partner that makes smart growth possible.

This means offering scalable solutions that match where clients are in their growth journey. A company making its first hire outside its home state has different needs than one opening its tenth international office. Your value proposition should flex accordingly,

meeting them where they are today while having the infrastructure to support them as they scale from regional to national to global operations.

But perhaps most importantly, you need to move beyond being reactive. Don't just process paperwork and wait for clients to come to you with questions. As you get signals that your clients are considering expanding into new markets, have a suite of proactive solutions for that growth. The key to helping them navigate this complexity is ensuring they have access to local, human expertise whenever they need it, wherever they're going.

BEST PRACTICES FOR SUPPORTING CLIENT EXPANSION

When your clients decide to expand into new markets, the excitement of growth often collides with a harsh reality: every jurisdiction brings its own maze of employment laws, tax codes, and regulatory requirements. For most domestic expansion, you're probably already set up. Do your clients need to hire in Texas or open an office in Colorado? You have the compliance knowledge and payroll infrastructure to make it happen. But when they start eyeing international markets, that's a different story. You can't be an expert in every country—and honestly, you shouldn't try to be.

This is where understanding your own limitations becomes a strategic advantage. By partnering with Employers of Record (EORs) in markets where you lack infrastructure, you can extend your service offering without the massive investment of building international operations from scratch. EORs bring the on-the-ground presence and specialized regional expertise that fill the gaps in your coverage.

This means you can support clients who want to hire employees in new countries without requiring them to set up foreign legal entities—a process that's often expensive, time-consuming, and complex. The EOR handles the local compliance heavy lifting while you maintain the

client relationship and overall service coordination. Your clients get the international capabilities they need, and you get to support their growth without overstretching your resources.

Here are a few key ways to offer clients support as they scale internationally.

1. Become a Legal Model Translator

Cross-border hiring is different from domestic growth. When a client hires in countries such as Germany, Brazil, or India, they are not simply adding another layer of compliance—they are entering entirely separate employment regimes with distinct legal definitions of employer responsibility, tax systems, statutory benefits, and corporate requirements.

At that point, your clients may need you to explain the difference in various modes of employment, including how a

PEO is different from an EOR. Giving them the words and basic lay of the land will make them more confident in your expertise and comfortable working through you with your EOR partners.

2. Offer Global Visibility and Knowledge

Domestic HR systems and workflows are powerful, but they are built for a single regulatory ecosystem.

By integrating an EOR layer, you give your clients a single source of truth—both domestic and international—without breaking your existing tech stack. More importantly, a knowledgeable EOR provider will equip your team to:

- Respond to international hiring requests with clarity instead of caution
- Access in-country expertise without developing it internally, country by country



When your clients decide to expand into new markets, the excitement of growth often collides with a harsh reality: every jurisdiction brings its own maze of employment laws, tax codes, and regulatory requirements.



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- Offer guidance on talent availability, cost structures, and market-entry considerations

Now, instead of viewing global expansion as a boundary, you turn it into a continuation of the client's relationship.

3. Partner With EORs Focused on Client Service

Your partner EOR operates as the legal employer in foreign countries, creating a compliant pathway into new markets without requiring you or the client to establish a local entity. This includes:

- Assuming local employer obligations
- Administering statutory payroll and benefits
- Ensuring alignment with local labor requirements

While the EOR assumes the legal employment function, your PEO still maintains the primary client relationship and often remains the first point of contact for clients.

As with any partnership or shared services model, your success is keeping and growing your customer base depends on the quality of the experience that you, and by extension, your partners, provide the customer. Customer service matters, and when your primary buyer is an HR executive, the people experience matters as well. In selecting EOR partners explore customer and team member satisfaction scoring, HR expertise, and SLAs. Strong partners will enhance your brand through your clients' favorable experiences.

OFFER MORE THAN JUST HR COMPLIANCE

Multi-state and international expansion will always bring complexity, but PEOs are uniquely positioned to turn that into a competitive advantage for growing clients. When you combine the right infrastructure, partnerships, and proactive guidance, you become the partner to your client that makes expansion feel manageable. And when your clients grow with confidence, you grow right alongside them. ■



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TRUMP CHILD SAVINGS ACCOUNTS: A NEW BENEFIT OFFERING FOR PEOs?

BY MICHAEL HADLEY, ESQ.

Hastily assembled and inserted into the 2025 tax bill known as the One Big Beautiful Bill Act (OBBBA) is a new kind of tax-preferred savings account for children that Congress named Trump Accounts. Contributions to Trump Accounts may be made as early as July 4, 2026 (the one-year anniversary of the passage of the OBBBA), and the IRS is now racing to provide the necessary guidance and regulations. In this article, I provide some background and then explain how employer and employee pre-tax contributions to Trump Accounts could be a benefit that PEO clients may want to offer worksite employees.

WHAT IS A TRUMP ACCOUNT?

Trump Accounts are, at their core, a kind of traditional individual retirement account (IRA) for children under age 18. Once the child reaches age 18, Trump Accounts effectively turn into a traditional IRA. The period from when the account is opened to December 31st of the year before the year in which the child attains age 18 has been termed by the IRS as the “growth period.”

During the growth period, special rules apply to Trump Accounts that do not apply to a traditional IRA:

- The child need not have earnings from employment to contribute or have contributions made on their behalf.
- The contribution limit is \$5,000, indexed for inflation, although certain kinds of contributions do not count towards that limit.
- No distributions are allowed during the

- growth period, except for rollovers to another Trump Account and transfers to an ABLER account for a disabled child.
- Only one kind of investment is allowed: a U.S. equity index fund (S&P 500 or similar) with fees of no more than 0.1% (10 basis points).
- The account must first be opened by a parent, guardian, or other authorized individual with the Department of the Treasury, who has engaged The Bank of New York Mellon Corporation and Robin Hood to operate the initial Trump Account. If the parent wants to move (roll over) the account to another Trump Account provider, they must close the initial Trump Account and move all the funds. In other words, there may be only one Trump Account open for a child at a particular time.

Once the child reaches the end of the growth period, the child will own a traditional IRA from which they could withdraw funds (owing tax and possibly



If employer contributions or pre-tax salary deferrals to Trump Accounts becomes a common benefit offering, PEOs are well-positioned to offer it to small businesses who otherwise do not have the bandwidth to administer it.

a 10% penalty), convert to a Roth IRA, or maintain until retirement.

CONTRIBUTIONS TO A TRUMP ACCOUNT

The OBBBA provides for four kinds of contributions to Trump Accounts. Some contributions are made with after-tax dollars, meaning that no deduction or exclusion is available, and these contributions would be distributed tax free to the child. Other contributions are made on a pre-tax basis, and these contributions (and any earnings on after-tax

CONTRIBUTION TYPE	COUNTS TOWARD \$5,000 LIMIT?	TAX IMPLICATIONS
Contributions by parents, child, and others	Yes	No deduction for contribution, creates basis
Contributions of up to \$2,500 by employer or employee through pre-tax cafeteria plan salary reduction	Yes	Not income for employee, taxable to child when distributed
Federal \$1,000 pilot contribution for children born 2025-2028	No	Not income to parent or child, taxable to child when distributed
Contributions by non-profits, states, and their political subdivisions	No	Not income to parent or child, taxable to child when distributed

contributions) would be taxable when distributed by the child. The preceding chart summarizes the types of contributions.

For the rest of this article, we focus on the second row: contributions made by an employer or by the employee through a cafeteria plan, because those are the contributions an employer—and therefore a PEO—might be interested in offering as an employee benefit.

EMPLOYER CONTRIBUTIONS

The OBBBA added new section 128 to the Internal Revenue Code, which provides for employer contributions to Trump Accounts on behalf of an employee's child or other dependent (or the employee themselves if under age 18). The IRS calls these "section 128 employer contributions." If an employer chooses to make these contributions, the employee incurs no income tax on the amount, even though this is compensation for working.

There is a \$2,500 annual limit on employer contributions (indexed for inflation after 2027), and this is the limit *per employee*. Thus, if an employee has more than one child eligible for contributions, then contributions from the employer would need to be allocated among those children in some way. It is completely voluntary for an employer to make these contributions.

PRE-TAX SALARY DEFERRALS

As noted in the chart, parent contributions to a Trump Account are made after tax, which limits their value. But the IRS said that an employer could allow an employee to make pre-tax contributions to a Trump Account for the employee's child or other dependent under a section 125 cafeteria plan. In essence, the employee is "trading" salary for a section 128 employer contribution, up to \$2,500, and is able to do so pre-tax.

This is a big deal because, like a flexible health spending account, it creates an opportunity for pre-tax

contributions that do not require an expenditure from the employer other than the cost of administering the program.

WILL EMPLOYERS EMBRACE TRUMP ACCOUNTS?

At this point, most employers are taking a wait and see approach. For one thing, even though contributions can be made as early as July 4, 2026 (assuming the government is ready to accept them), most employers have already made 2026 benefit decisions and soon will do the same for 2027. We have also heard that some employers may not offer benefits associated with Trump Accounts for now, because they fear the name might offend some of their employees. (Some speculate that Democrats might seek to change the name in the future, and at least one bill has been introduced to do that.) Other employers have concluded that the vast majority of their employees would prefer to have limited benefit dollars put into something else.

Perhaps just as important, there are many unanswered questions about section 128 employer contributions that make it hard to implement a program at this time. The IRS has promised guidance, but that might not come until much later in 2026 or 2027.

The biggest questions relate to nondiscrimination testing. A section 128 employer contribution program is subject to rules similar to those for a dependent care assistance program (DCAP) under Code section 129. DCAP programs involve nondiscrimination testing rules for which IRS has not provided guidance, including a rule requiring that the average benefits provided to employees who are not highly compensated is at least 55 percent of the average benefits provided to highly compensated employees. In fact, many DCAP programs routinely fail this test and must correct or limit DCAP benefits to highly compensated employees.



If an employer chooses to make these contributions, the employee incurs no income tax on the amount.

Another question relates to FICA taxes—the OBBBA did not provide an exclusion for employer contributions, so it is possible these amounts could be wages for FICA purposes. Finally, we are expecting guidance from the Department of Labor on how an employer can structure a Trump Account contribution program that does not subject it to ERISA.

IMPLICATIONS FOR PEOS

If employer contributions or pre-tax salary deferrals to Trump Accounts becomes a common benefit offering, PEOs are well-positioned to offer it to small businesses who otherwise do not have the bandwidth to administer it. The program will have some unique administrative challenges, such as the need to send funds to multiple Trump Account providers, special reporting to the account custodian, and nondiscrimination testing. PEOs wanting to learn more should keep an eye out for more guidance from the IRS. ■

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



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THE DUAL HR MODEL: BUILDING STRONG PARTNERSHIPS BETWEEN PEOS AND CLIENT HR LEADERS

BY STACY JENSEN

One of the most positive or perilous relationships between the PEO and their clients is that of the PEO's HR SMEs, and the client's internal HR contact. This can create 'breakup paranoia' on either end. Questions like, "what if they don't need me because they can get everything from the PEO?" or "what if they don't need the PEO because they have hired

a new HR Director?" are common. The answer of course is, we are better together!

Let's unpack what happens when a client organization also has its own HR professional. The reality is, the relationship can become complicated. Questions about authority, communication, style, culture and responsibilities can create friction if expectations are not clearly defined.

BUILDING STRONG PARTNERSHIPS

For HR professionals working within a PEO, building strong partnerships with client-side HR professionals is essential. When the relationship works well, the client benefits from expanded expertise and resources, employees receive consistent support, and the PEO-client partnership becomes more strategic and valuable. There are numerous ways to cultivate these relationships. It starts with the

client courting process and your business development team. When your sales savvy revenue generator first meets with a prospect, understanding the internal dynamics of the team can kickstart the conversation of how much HR infrastructure the business already has in place, and helps to outline the gaps, and what has and hasn't worked well previously with their HR processes. Establishing what the business owner hopes to keep in place with their own HR contact, or hopes to change, is a crucial component in addressing any gaps or opportunities that the PEO can help to ensure are actualized. From there, your internal PEO HR

service team can take the baton, setting up an initial meeting with any HR or HR related contacts at the client, to take the temperature of the professional they will be working with there. What is their level of experience? How receptive are they to the newcomers? How do they prefer to communicate, and where can we help versus allow them to continue their own great processes?

When PEO professionals frame their role as strategic support rather than oversight, it builds trust and reduces the perception that the PEO is trying to control the client's workforce. From personal experience, having collaboration



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with other HR professionals is absolutely delightful. HR is often on an island of one, and having someone else to roundtable with, offer suggestions, and collaborate with can be a welcome change from the isolation that is often the profession of human resources.

INVEST IN RELATIONSHIP BUILDING, NOT JUST TRANSACTIONS

Often our client interactions revolve around administrative processes like payroll changes, benefits enrollment, or compliance documentation. While these tasks are essential, focusing solely on transactions can cause the relationship

to feel mechanical, and lead your client company to question the value of a PEO vs. an ASO or payroll only service.

PEO HR professionals should take time to build genuine relationships with their client HR counterparts. This can include regular check-ins, learning about the client's business model, their culture and team members, and understanding the challenges the client's HR professional faces in their organization.

For example, an HR professional working for a manufacturing client will face very different challenges than someone supporting a nonprofit or professional services firm. We feel and



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understand this at the PEO. Industry context is crucial for us as the PEO to provide relevant and practical guidance. The PEO HR expert absolutely has to understand their audience and decompartmentalize their advice based on what might work in their own environment.

Strong relationships also make difficult conversations easier. If a PEO must deliver compliance warnings or advise against a risky employment decision, an established relationship helps ensure the message is received as helpful guidance rather than criticism.

CREATE CLEAR ROLES AND RESPONSIBILITIES

Another source of tension between PEO HR teams and client HR professionals is role ambiguity. Without clearly defined responsibilities, both sides may assume the other is handling a task, or they may duplicate work unnecessarily.

Successful partnerships often rely on a clearly documented division of responsibilities. This can include outlining which organization handles: Employee handbook development and updates; employee relations investigations; benefits communication; payroll corrections; compliance monitoring; and HR policy interpretation.

Establishing these boundaries early in the relationship prevents confusion and ensures accountability. Frequent check-ins and questions about how to best make the relationship work solidify the partnership. It also allows each party to focus on the work where they can provide the most value.

PEO HR professionals should also recognize that responsibilities may evolve over time as the client grows or adds internal HR capacity. Conducting periodic reviews of the partnership structure can help ensure that the division of labor

between the PEO and client company remains effective.

COMMUNICATE IN A WAY THAT EMPOWERS CLIENT HR TEAMS

Rightfully so, client HR professionals often rely on PEO expertise for complex compliance issues, particularly in areas such as risky terminations, employee classification, and workplace investigations. However, our communication style can make as big of an impact as the information being delivered.

For example, instead of saying, “You can’t terminate this employee because it may be risky,” a more effective approach might be: “There are some legal risks associated with this termination because of the timing and documentation. Here are a few steps we could take to strengthen the file or alternative approaches we can look at.”

This approach lets them know you have their best interest at heart, and aren’t there to judge, forecast doom, or point fingers.

PEOs often lead employee strategy conversations with a focus on compliance and risk reduction because they share certain employment liabilities under the co-employment relationship. Business partners, however, may have different operational priorities or risk tolerance levels.

If you have an EPLI policy for each of your client companies (10 out of 10 can recommend), it is important to give a reminder of how the EPLI works in conjunction with any potentially risky terminations or employment decisions each time, and with each manager or owner that you are helping. Deliver options for them to consider, pairing the options with potential risk. Then, go through a roundtable exercise while exploring what is behind doors



The relationship between a PEO and its client’s HR team is most successful when it functions transparently and as a true partnership.

1, 2, and 3. Listening carefully to the client’s perspective helps to find balanced solutions that protect the organization while allowing the business to operate effectively.

The relationship between a PEO and its client’s HR team is most successful when it functions transparently and as a true partnership. By respecting decision-making authority, building strong relationships, clarifying responsibilities, communicating collaboratively, and supporting the client HR professional’s role, PEO HR staff can significantly enhance the value they provide.

When PEO HR professionals and client HR teams work together with mutual respect and clear communication, the partnership becomes a powerful resource for both the client and the workforce they support. ■



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HOW TO INTRODUCE AI TO YOUR PEO WITHOUT KILLING TRUST

BY ISH BAID

For PEOs, the promise of AI is clear: improved margins, faster service delivery, stronger compliance and better client retention. Yet one of the hardest parts of adopting AI is not the technology. It is the cultural shift. Without buy-in from your team, you are unlikely to see the outcomes you are hoping for. In fact, a poorly handled rollout can erode trust, reduce engagement, and create quiet resistance that undermines your investment.

For executives leading PEOs through transformation, the real challenge is not whether to adopt AI. It is how to introduce it in a way that strengthens trust instead of weakening it.

The answer begins with reframing the conversation.

START WITH THE RIGHT LANGUAGE: "ASSISTIVE INTELLIGENCE"

Language shapes perception. When teams hear "artificial intelligence," many immediately think:

- Job replacement
- Automation that reduces headcount
- Loss of control
- Dehumanized service

That framing triggers fear before you have even explained the use case. Instead, position these systems as assistive intelligence.

Assistive Intelligence reinforces the idea that technology exists to support your payroll specialists, benefits administrators, HR business partners, compliance analysts and service teams. It is not there to replace them. It is there to make them better, faster and more accurate.

As a leadership team, be consistent. In town halls, board updates, internal memos, and training sessions, use the term assistive intelligence intentionally. Over time, the language becomes culture.

MAKE THE STRATEGIC INTENT EXPLICIT

One of the fastest ways to destroy trust is ambiguity around headcount. If your teams suspect that assistive intelligence is a precursor to layoffs, adoption will

stall. Productivity gains will be hidden rather than shared.

Be explicit and repeat it often: The goal is to prevent additional hiring as we grow, not to cut existing staff.

For PEOs, growth often means increasing client volume without increasing margins proportionally. Assistive intelligence should be positioned as a way to:

- Absorb new client growth without linear hiring
- Reduce burnout in high-volume teams
- Improve accuracy in payroll and compliance workflows
- Protect EBITDA while scaling

This is a message your CFO understands, but your service team needs to hear it just as clearly. And they need to hear it more than once. Repetition builds credibility.

START WITH THE EARLY ADOPTERS

Every PEO has informal influencers. The payroll manager who everyone calls for complex tax questions. The HR operations lead who is always testing new workflows.

The compliance analyst who builds smarter spreadsheets than anyone else.

Do not begin your rollout with the skeptics. Start with the early adopters.

Identify:

- Technically curious team members
- High performers who embrace process improvement
- Managers who are respected and trusted

Equip them first. Give them access to assistive intelligence tools that remove friction from their day. Then let them tell the story.

Peer validation carries more weight than executive mandates. When a senior payroll specialist says, “This saved me

three hours this week and reduced errors,” that message resonates across the organization.

START WITH QUICK WINS TO BUILD MOMENTUM

Transformation programs often fail because they start too big.

Instead of launching a sweeping, enterprise-wide initiative, focus on contained, high-impact use cases that demonstrate value quickly.

In a PEO context, quick wins might include:

- Automating data reconciliation between payroll systems



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- Drafting first-pass client communications for benefits updates
- Flagging compliance risks in contracts before human review
- Summarizing long regulatory updates into actionable bullet points

Choose use cases that:

- Save measurable time
- Reduce manual rework
- Improve accuracy
- Do not directly impact client-facing relationships initially

Quick wins build credibility. Credibility builds momentum. Momentum drives cultural change.

Your COO should be able to quantify time saved. Your CFO should see reduced operational strain. Your service leaders should feel immediate relief.

AVOID CHATBOTS THAT ALIENATE CUSTOMERS

One of the biggest mistakes PEOs make is deploying client-facing chatbots too early.

While chatbots promise cost savings, they often alienate customers. Clients come to PEOs for expertise and human partnership. When they are redirected to automated responses, it can feel like a downgrade in service.

Instead of replacing the human touch, prioritize tools that enhance it.

Examples include:

- Internal assistive intelligence that drafts responses for service reps
- Systems that surface relevant client history before calls
- Tools that suggest compliance guidance during live conversations
- Automated documentation that reduces post-call admin time

The client still interacts with a human. The human is simply more prepared, more informed, and more responsive. That is the right order of operations.

CELEBRATE EARLY ADOPTERS AND WINS PUBLICLY

Culture shifts when behavior is rewarded. When an early adopter uses Assistive

intelligence to reduce payroll processing time by 15 percent, celebrate it. Share the story. Recognize the individual.

Not just in executive meetings, but in:

- Company-wide emails
 - Town halls
 - Team standups
 - Performance reviews
- Frame these wins around impact:
- Improved client response times
 - Reduced compliance risk
 - Increased capacity without additional hiring
 - Reduced stress during peak processing cycles

Celebration does two things. It validates the adopters. And it signals to everyone else that participation is valued, not risky.

CREATE FEEDBACK LOOPS, NOT MANDATES

Top-down mandates often create compliance, not commitment.

Instead, create structured feedback loops:

- Monthly roundtables with early adopters
- Anonymous surveys on tool effectiveness
- Slack or Teams channels dedicated to assistive intelligence improvements
- Direct access to product or IT teams for iteration

When employees see their input shaping how tools are implemented, they shift from feeling managed to feeling empowered. For a CIO or CTO, this approach reduces shadow resistance. For a COO, it increases operational effectiveness. For a CEO or President, it reinforces a culture of partnership.

REINFORCE THE LONG-TERM VISION

Assistive intelligence is not a one-quarter initiative. It is a capability shift. Continue reinforcing the narrative:

- We are building capacity without burnout.
- We are scaling without proportional hiring.
- We are protecting margins without sacrificing service quality.



When employees see their input shaping how tools are implemented, they shift from feeling managed to feeling empowered.

- We are strengthening, not replacing, our people.

The companies that win in the next decade will not be those who automate the fastest. They will be those who integrate technology without breaking trust. For PEO leaders, trust is your product as much as payroll and compliance. If you protect that trust internally, your teams will extend it externally to clients.

FINAL THOUGHT FOR PEO LEADERS

Assistive intelligence is not about reducing headcount. It is about increasing capability.


If you start with the right language, begin with early adopters, focus on quick wins, avoid client-alienating chatbots, and celebrate progress loudly, you can modernize your organization without destabilizing your culture.

The technology is ready. The real question is whether the rollout honors the people who built your PEO in the first place. ■



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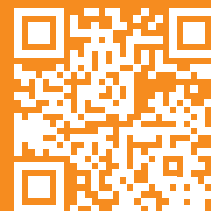


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ENTERPRISE AI ADOPTION: A THREE PILLAR APPROACH TO ROLLOUT, RESPONSIBILITY AND CULTURE

BY HANK JOHNSON AND JOSEPH LAZZAROTTI

The rapid ascent of artificial intelligence (AI) has shifted the conversation from *if* companies should adopt it to *how* they can do so responsibly, effectively and with full employee buy-in. Successful enterprise AI integration isn't just a technology project; it's a fundamental change management initiative built on three non-negotiable pillars: strategic rollout, responsible governance and cultural adoption.

STRATEGIC ROLLOUT AND PHASED DEPLOYMENT

A fragmented approach to AI leads to fragmented results. Companies must anchor their AI strategy in clear business outcomes and execute it using a measured, phased rollout model.

Define the “Why” and Map the Strategy

Before acquiring any tool, organizations must identify clear, measurable business goals. Are you aiming for a 20% cost reduction in processing, a 15% increase in customer experience scores, or simply reducing the time employees spend on routine tasks? The business objective must always define the AI strategy, not the other way around.

To manage risk and build internal momentum, start with use case prioritization. Focus first on high-value, low-risk internal applications,

such as internal documentation summarization or automating repetitive administrative tasks. These quick wins generate immediate ROI and build employee confidence in the technology.

Crucially, assess organizational readiness. This involves two key components:

Data Readiness: Evaluate the quality, security, and structure of proprietary data. AI models are only as good as the data they are trained on, making robust data governance a prerequisite.

Technology Readiness: Ensure existing infrastructure can integrate smoothly with new AI APIs and platforms, minimizing disruption to current workflows.

Start Small and Scale Up

Avoid the temptation to roll out AI organization-wide immediately. The best strategy involves launching controlled pilots with small, enthusiastic teams—your “early adopters.”

During the pilot phase, define success metrics that go beyond simple productivity gains. Track accuracy, employee time savings, user satisfaction, and reduction in error rates. Once the pilot is validated, formalize the successful workflows and technical configurations into an “AI playbook” before initiating iterative scaling across the rest of the business.

ESTABLISHING RESPONSIBLE AI (RAI) GOVERNANCE

Integrating AI without a strong ethical framework is not just risky—it's negligent. Responsible AI (RAI) governance is the firewall that protects your brand, customers, and employees from unintended harm.

Core Pillars of Responsible AI

Fairness and Bias Mitigation: AI models can amplify existing societal biases present in their training data, leading to discriminatory outcomes in areas like hiring or lending. Companies must establish auditing processes to identify and remediate biases and ensure AI systems treat all individuals without discrimination.

Transparency and Explainability (XAI): Trust requires understanding. Organizations must communicate clearly when AI is being used (to both employees and customers). Furthermore, they must implement mechanisms that allow users to understand *why* an AI model made a specific decision (interpretability), particularly in decision-critical applications.

Data Privacy and Security: Set strict data governance policies compliant with global regulations (e.g., GDPR, CCPA). It is non-negotiable to ensure sensitive or proprietary company data is not used to train public-facing AI



Avoid the temptation to roll out AI organization-wide immediately. The best strategy involves launching controlled pilots with small, enthusiastic teams—your “early adopters.”

models, protecting competitive advantage and client trust.

Policy and Oversight

To enforce these pillars organizations need structure.

Establish Human Oversight:

Determine the appropriate level of human involvement (Human-in-the-Loop or Human-on-the-Loop) for critical processes. The rule of thumb: AI should augment, not replace, human judgment.

Create an AI Governance Council:

This multidisciplinary team (Legal, Ethics, IT, and Business unit leaders)

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is essential for setting, monitoring, and enforcing consistent AI policies.

Define Clear Usage Guidelines (The “Do’s and Don’ts”): Provide employees with an explicit code of conduct for interacting with Generative AI tools, including a verification mandate for all AI-generated output and a prohibition on uploading confidential client data.

CULTIVATING AN AI-READY CULTURE AND ADOPTION

The success of any AI implementation ultimately hinges on the workforce. Fostering a culture where employees feel empowered, not threatened, is critical for rapid and sustained adoption.

Communication and Trust Building

The single greatest barrier to adoption is fear. Leaders must be transparent about how AI will change roles, making it clear that the goal is automating tasks, not eliminating jobs. The focus must shift to upskilling employees for higher-value work.

Emphasize augmentation. Position AI as a “co-pilot”—a productivity tool that enhances human capabilities, freeing up time for creativity, strategy, and deep problem-solving. Finally, encourage internal dialogue using focus groups and feedback channels to proactively address anxiety and build trust.

Training and Skill Development Build Foundational AI Literacy:

Provide mandatory training on the fundamentals of AI, covering how Large Language Models (LLMs) work, their

Position AI as a “co-pilot”—a productivity tool that enhances human capabilities, freeing up time for creativity, strategy, and deep problem-solving.

capabilities, and their limitations (such as “hallucination,” or presenting false information as fact).

Provide Role-Specific Training: Generic training isn’t enough. Offer deep-dive, hands-on workshops tailored to departmental needs, focusing on practical skills like prompt engineering for marketing or data analysis with AI for finance teams.

Appoint and Empower AI Champions: Invest in enthusiastic early adopters and formalize their role as internal experts. These champions provide peer-to-peer support, troubleshoot issues, and normalize AI usage across the organization.

Incentivizing Adoption and Innovation

To solidify the cultural shift, link AI usage to career growth and recognition.

Reward Learning, Not Just Usage:

Incorporate AI competency (like prompt engineering skills and knowledge of ethical usage) into performance reviews.

Rewarding the development of new skills is more effective than simply rewarding tool usage.

Foster an Experimentation Culture: Dedicate time, such as regular “AI brain boost” days, where employees are encouraged to test AI tools on their routine tasks and share successful workflows.

Celebrate Wins Publicly: Recognize and reward teams and individuals who use AI effectively to solve business challenges, explicitly linking their adoption to the organization’s wider strategic goals.

The path to maximizing AI’s potential lies not in rushing deployment, but in deliberate, layered implementation. By executing a strategic rollout, embedding robust responsible AI governance, and cultivating a culture that prioritizes upskilling and trust, companies can ensure their AI journey delivers profound and sustainable value for both the business and its people. ■



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HOW AI IS CHANGING SEARCH: WHAT IT MEANS FOR PEO MARKETING

BY DEAN MOOTHART

For years, educational content has been one of the most effective marketing tools available to PEOs.

Articles explaining co-employment, PEO pricing, compliance support and HR outsourcing models have helped introduce prospects to the PEO concept while attracting a steady stream of organic search traffic. For many organizations, that content strategy has been a major driver of early-stage buyer engagement.

But the search landscape is changing quickly.

Since the introduction of AI-generated answers in search engines—and the rapid adoption of tools like ChatGPT, Gemini, and Perplexity—many companies across industries have seen organic website traffic decline. In some cases, analysts report traffic drops approaching 60%

when AI-generated answers appear directly in search results.

For PEO marketers, this shift can feel alarming, but it doesn't mean search-driven marketing is disappearing. Instead, it signals an important evolution in how prospects research HR outsourcing solutions—and how PEOs must structure their content to remain visible.

WHY PEO BUYER JOURNEYS BEGIN WITH EDUCATION

Companies rarely begin their search by looking for a specific PEO provider. Instead, they start with questions about HR challenges they are trying to solve. Typical early-stage searches include:

- What is a PEO?
- How does a PEO reduce workers' compensation costs?
- PEO vs. ASO: what's the difference?



To remain visible in this new environment, many organizations are focusing on a newer discipline called answer engine optimization (AEO).

- Is a PEO worth it for companies under 100 employees?

These informational queries account for a large share of organic traffic for many PEO websites.

That traffic is valuable because it introduces prospects to the PEO model long before they begin evaluating vendors. Since PEO buying decisions often involve multiple stakeholders—CEOs, CFOs, HR leaders, and advisors—research may take place months before a company contacts a provider.

Educational content has historically allowed PEOs to build credibility early in this process.

THE RISE OF ZERO-CLICK SEARCHES

Traditionally, someone researching a topic would type a question into Google, review several results, click on an article, and read the answer. Today, that process is increasingly different.

When Google's AI Overviews appear at the top of search results, the system generates a summarized answer by combining information from multiple sources. In many cases, users receive the information they need without clicking through to any websites. This behavior is known as a zero-click search.

Across industries, marketers are seeing measurable declines in click-through rates when AI-generated answers appear—especially for informational questions like those that dominate PEO research.

For organizations focused primarily on website traffic as a success metric, this shift can feel like a major setback. But traffic alone has never been the most meaningful measure of marketing success.

WHY TRAFFIC ISN'T THE METRIC THAT MATTERS

High traffic does not automatically

translate into business growth. Many websites attract thousands of visitors who never engage deeply with the content or move closer to becoming customers. As AI reshapes search behavior, marketers are increasingly focusing on metrics that reflect real business impact, such as:

Engagement rate: Are visitors actually reading the content and exploring additional resources?

Session-to-contact conversion rate: What percentage of visitors become leads or sales conversations?

Repeat visitors: Are prospects returning as they continue their research?

Email audience growth: Is the organization building an audience it can nurture over time?

These indicators provide a clearer picture of whether content is contributing to pipeline development rather than simply generating page views.

AI IS CHANGING WHERE RESEARCH HAPPENS

Another major shift is where research is taking place. Instead of relying solely on search engines, decision-makers are increasingly asking questions directly to AI assistants (i.e., ChatGPT, Gemini, or Perplexity).

- A business owner might now ask:
- Should a company with 75 employees consider a PEO?
 - What are the advantages of a PEO versus internal HR?
 - How do PEOs reduce workers' compensation costs?

AI systems synthesize answers from trusted sources and present summarized recommendations.

Recent studies suggest AI tool usage grew from roughly 8% of internet users in 2023 to nearly 38% in 2025, and

analysts expect AI-generated answers to play an increasingly large role in online research. For PEO marketers, this creates both a challenge and an opportunity.

ENTER ANSWER ENGINE OPTIMIZATION

To remain visible in this new environment, many organizations are focusing on a newer discipline called answer engine optimization (AEO).

Traditional SEO focuses on ranking pages high in search results. AEO focuses on structuring content so AI systems can easily extract, summarize, and cite it when generating answers.

This typically means creating content that is:

- Clearly structured
- Fact-based and authoritative
- Written in a question-and-answer format
- Supported by credible explanations

When AI systems identify a website as a trusted source, its content may be referenced or cited within AI-generated responses—shaping how prospects understand HR outsourcing long before they visit a company's website.

WHY AEO MATTERS FOR PEOs

Several characteristics of the PEO industry make answer-engine visibility especially important.

First, the PEO model requires education. Prospective clients must understand concepts like co-employment structures, compliance support, workers' compensation pooling and benefits purchasing power. Well-structured educational content is exactly the type of information AI systems prioritize when generating answers.

Second, PEO sales cycles tend to be long. Prospects often research

HR outsourcing solutions for months before contacting providers. Appearing consistently in educational resources—whether through search engines or AI answers—helps build familiarity during this extended decision process.

Finally, trust plays a central role in vendor selection. Because PEOs manage payroll, benefits administration, compliance and employment risk, credibility is critical. When a company’s expertise repeatedly surfaces in educational content, it reinforces authority within the industry.

THE OPPORTUNITY AHEAD

AI-generated answers represent one of the most significant changes in search behavior in more than a decade. While they may reduce some traditional website traffic, they do not diminish the importance of educational content. In fact, the demand for clear, credible information about HR outsourcing is growing.

For PEOs, the opportunity lies in ensuring their expertise is visible wherever prospects are researching—whether that happens in search results, AI-generated answers, or

industry resources.

Organizations that adapt their content strategies accordingly will be well positioned to educate the market, build trust with prospective clients, and generate sustainable growth in the evolving digital landscape. ■



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CONSISTENCY BUILDS TRUST BEFORE THE CONVERSATION BEGINS

PART TWO OF A THREE-PART LOOK AT HOW AI IS RESHAPING THE PEO BUYER JOURNEY

BY AMANDA ORTEGA

In the first article, *The Best Laid Growth Plans*, we explored how market positioning and messaging clarity are essential for AI systems to quickly recognize your organization as a fit.

But clarity doesn't carry the full weight. In an AI-shaped buying environment, consistency reinforces clarity as employers continue their evaluation. If clarity is the starting point, consistency is what starts to build confidence around your message.

WHY CONSISTENCY MATTERS

In traditional buying journeys, employers encountered a brand through a limited set of touchpoints such as a website visit, referral, or conversation with sales. Today, that experience has become more fragmented.

Employers now move between search, AI-generated answers, review platforms, social content, and third-party sources. They ask similar questions in multiple places and compare what they find.

AI systems pull signals from across sources, looking for patterns that reinforce credibility and relevance. When it comes to your business, consistency across channels is what ties those signals together.

When messaging aligns across sources, AI systems can confidently interpret what

your PEO organization does, who you serve, and where your solution is the strongest. When messaging varies, that interpretation weakens.

AI algorithms seem complex, but the outcome is straightforward. When messaging is consistent, AI systems "understand" you and deliver information about you to employers with confidence. Then, when those employers reach out to you, they've already developed a clear understanding of fit. This reduces early-stage confusion and accelerates the sales conversation.

WHERE INCONSISTENCY SHOWS UP

Most PEOs don't set out to be inconsistent. It happens across team members and over time.

The marketing team may position the company one way on the website, while sales is actively revising their messaging based on conversations and objections they face in the field. Industry pages tend to remain too broad and light on content, while social media posts may test new themes in an effort to stay fresh. Profiles across the web, such as Google Business, Crunch Base, and social media profiles, are often forgotten and neglected, carrying outdated or disjointed company information.

Individually, none of this may seem terrible. Together, and especially for AI systems assessing your company for



AI systems pull signals from across sources, looking for patterns that reinforce credibility and relevance. When it comes to your business, consistency across channels is what ties those signals together.

buyer fit, this inconsistency dilutes your message. Trust me, you don't want to confuse the robots about who you are. Feed them a healthy diet of clarity and consistency, or you may soon become invisible in your target audience's search results.

HOW BUYERS EXPERIENCE CONSISTENCY

Employers are not moving through a linear funnel. They are building under-

standing in layers.

They may start broad: “What does a PEO handle?”

Then move into context: “What PEO works best for a multi-state employer?”

Then into specifics: “Who has experience in healthcare compliance?”

At each step, they are looking for reinforcement. They want to see the same core idea show up again and again, across different formats and sources.

When that happens, confidence builds.

When it doesn't, the burden shifts back to the buyer to figure it out, and

most won't spend time reconciling mixed signals. They will gravitate toward the provider that feels clearer and more certain.

Consistency makes PEO evaluation easier and faster for employers.

CONSISTENCY AS A GROWTH LEVER

When done well, a planned set of clear, consistent messages creates a compounding effect I like to call a “drumbeat.” Each touchpoint strengthens the others.

Especially in an era where AI-search algorithms are actively playing the role of influencer, this clear, consistent drumbeat

directly impacts growth. Inconsistent messaging slows down that process. When inconsistency clouds perception, it introduces hesitation at each step.

TURNING CONSISTENCY INTO ACTION

Start with one clear narrative. Define what your PEO is best suited to handle and for whom. This should be grounded in real sales conversations and buyer needs.

Align every channel to that narrative. Review your website, sales materials, and content. Identify where messaging drifts or becomes too broad. Bring it back to the

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core idea. Here's a plan your team can begin tackling today:

- Define your core narrative (who you serve, where you win)
- Audit your current signals (website, sales, content)
- Align around one shared language
- Reinforce it consistently across every touchpoint

This is where sales and marketing need to be on the same page. Use buyer questions to guide content and ensure clear answers consistently reflect your positioning. Sales can inform marketing about buyer language and pain points. Marketing can then develop a common language to work from. Consistency is only maintained when teams are aligned.

Continue to reinforce the importance



Continue to reinforce the importance of clarity and consistency. It will take practice.

of clarity and consistency. It will take practice. As new content is created, ensure it strengthens the same narrative rather than introducing new directions.

BRINGING IT TOGETHER

In this three-part series, we are building a

growth structure for AI visibility. Clarity determines whether you are understood and stand out among similar businesses. Consistency determines whether that understanding holds and whether AI systems can easily summarize you. Together, clarity and consistency shape whether you earn a place in the employer's consideration set.

Next month, in the final article of this series, we'll examine the third lever for AI visibility: depth of expertise in the employer's industry. ■



AMANDA ORTEGA
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THE VALUE CREATION PROCESS: DRIVING SUPERIOR ECONOMICS IN THE PEO INDUSTRY

INTRODUCTION TO A THREE-PART SERIES

BY MATT CLAUS

The professional employer organization (PEO) sector continues to benefit from strong underlying demand, driven by increasing regulatory complexity, rising benefits costs and the need for scalable HR infrastructure among small and mid-sized businesses. Employers are increasingly seeking partners who can move beyond administrative support, but also provide strategic guidance around compliance, risk and workforce management.

This is a demanding business model—and one in which the client often does not fully see the energy, expertise and execution required to consistently deliver high-quality service. We view that not as a detriment, but as a meaningful opportunity to differentiate.

Yet despite these favorable conditions for the PEO model, performance across the industry remains notably uneven. A subset of firms consistently outperforms peers on profitability, growth and valuation, while others face persistent margin compression, elevated client churn, underwriting leakage, and increasing price sensitivity. The gap between top-quartile and median performers continues to widen, raising a fundamental question: what truly differentiates the leaders?

In our experience, the answer is not market positioning, brand recognition, or

even product breadth. Most credible PEOs today offer a relatively comparable suite of services—payroll administration, benefits procurement, risk management and HR support. The defining difference lies in how firms design and execute value creation.

Leading PEOs do not treat profitability, growth and sales effectiveness as independent initiatives or siloed functions. Instead, they operate through an integrated value creation process that aligns underwriting discipline, pricing architecture, service delivery and commercial strategy into a cohesive profit engine.

In these organizations, underwriting is not just a gatekeeping function—it is a strategic lever directly tied to pricing precision and long-term client profitability. Sales is not simply about volume—it is calibrated to target the right client profiles that truly fit the firm's economic model. As you may recall from our previous article on the PEO value proposition (published in November 2025), one of the clearest signals of a strong model is the willingness—and discipline—to say “no” to clients that are not a fit. Quite simply, this is the number one profit sink we see in our work across the industry.

Operations, in turn, are not just about service delivery. They are intentionally engineered to protect margin, drive efficiency, and reinforce client retention. A simple but telling example we often pose: how do you interpret “client rules”?



At its core, value creation in the PEO model is about maximizing the lifetime economic value of each client relationship while maintaining discipline at the point of entry and throughout the lifecycle.

Is it (1) the client gets most everything they ask for, or (2) the client is managed within clearly defined boundaries tied to service scope and price of service? The answer to that question alone often can reveal the origin of an underlying issue within the profit engine.

At its core, value creation in the PEO model is about maximizing the lifetime economic value of each client relationship while maintaining discipline at the point of entry and throughout the lifecycle. This requires a level of visibility, measurement, and coordination that many firms have yet to institutionalize. Too often, PEOs operate with fragmented data, inconsistent underwriting standards, or reactive operational adjustments—each of which quietly erodes margin and limits scalability over time.

This three-part series is designed to address those challenges directly. It introduces a structured framework for building a more deliberate and repeatable value creation engine—one grounded in practical application. These are practical tools, methodologies, and decision frameworks that can be embedded into day-to-day operations.

We will focus on three core dimensions:

1. Structural Profit Expansion.

Leveraging targeted data sets, underwriting rigor, and pricing architecture to

PEO GROWTH

fundamentally reshape the economic profile of the book of business. This includes identifying sources of margin leakage, improving gross profit predictability, and enabling more precise decision-making at both the client and portfolio level. Said differently, most PEOs today have clients in their book that are breakeven or unprofitable—and addressing that reality is one of the fastest paths to improved performance.

2. Operational Methodologies that Drive Sustainable Profitability.

Designing and executing operating models that deliver consistent, scalable outcomes. This includes process optimization across payroll, onboarding, service, and benefits administration, as well as aligning operational KPIs directly with financial results.

3. Targeted Client Acquisition and Retention Lifecycle Strategies.

Refining how PEOs source, convert, and retain clients to maximize lifetime value. There are more ways to sell today than ever before—direct sales organizations, group benefit broker alignment, PEO broker channels, and a growing array of digital and social outreach strategies. What we have consistently observed is that sales methodology—and the discipline behind it—has a meaningful and measurable impact on profitability.

When executed in combination, these elements can materially improve financial performance. Leading firms that adopt an integrated approach to value creation are seeing tangible results: EBITDA margin expansion, improved client quality, increased client lifetime value, and sustained annual revenue growth.

In many cases, this also supports valuation expansion of 20% or more, particularly as buyers place increasing emphasis on earnings quality, predictability, and scalability.

In an increasingly competitive and maturing market, these capabilities will define the next generation of leading PEOs—those that not only grow, but grow with discipline, capture value efficiently, and build durable, high-quality businesses.

This series is intended to provide a clear and actionable path toward that outcome. ■



MATT CLAUS

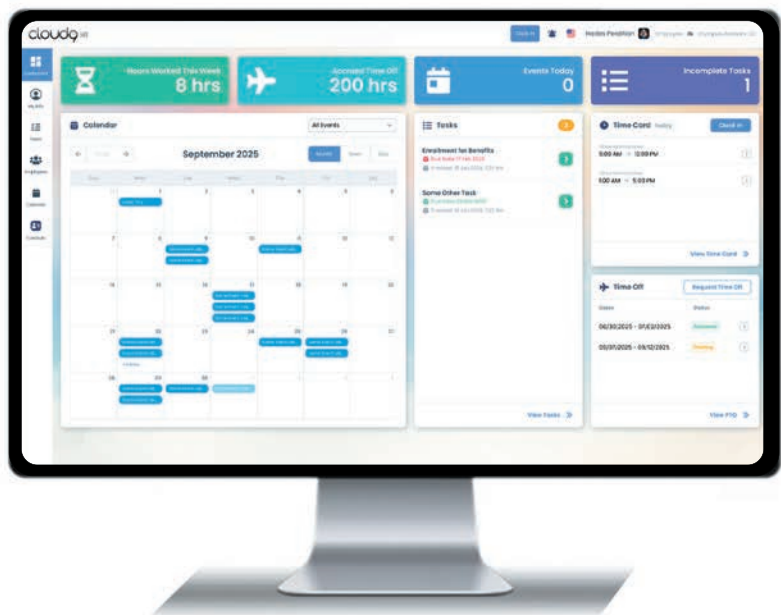
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AMPLIFYING THE PEO STORY

BY CASEY M. CLARK

Each year National Small Business Week (May 3-9) shines a well-deserved spotlight on the entrepreneurs and employers who drive innovation, create jobs and support communities across the country. For our industry, it also serves as a powerful backdrop for reinforcing the essential role that PEOs play in helping these businesses succeed.

That's why May is such an important month for our industry. Alongside National Small Business Week, we celebrate National PEO Week (May 17-23), a dedicated opportunity to highlight the impact of PEOs and the clients we serve. It's a moment to amplify our voice, share success stories and demonstrate how PEOs strengthen the economy.

PEO Advocacy Day during PEO Capitol Summit is a chance to focus this message on lawmakers and their staff. There is no substitute for face-to-face conversations. When policymakers hear firsthand how PEOs support small businesses in their districts—helping them retain employees, stay compliant and grow—it transforms abstract policy discussions into real-world impact.

While I look forward to many of you joining us this year, PEO Advocacy Day is not a substitute for sustained

engagement year-round. NAPEO's new advocacy toolkit (which will be unveiled soon) contains industry fact sheets, data and messaging guides along with information and best practices on submitting letters to the editor. The goal is to better equip you to communicate with local, state and federal policymakers. The more consistently and clearly we tell the PEO story, the more successful our advocacy efforts—like IRS modernization and passing H.R. 3223—will be.

NAPEO PAC is another powerful tool to facilitate direct engagement with lawmakers. I appreciate everyone who has already contributed to NAPEO PAC this year, but we need much more support to reach our goals. The PAC allows us to build relationships with influential lawmakers, cultivate PEO industry champions and enhance our influence in Washington.

A misguided policy that fails to properly consider the PEO relationship can have adverse consequences for your businesses and the clients you serve. That's why it matters that lawmakers understand how PEOs operate and the value they bring to small businesses.

I encourage each of you to take part in celebrating National PEO Week (check out the toolkit at napeo.org/national-peo-week-toolkit/) whether through social media, activities in your



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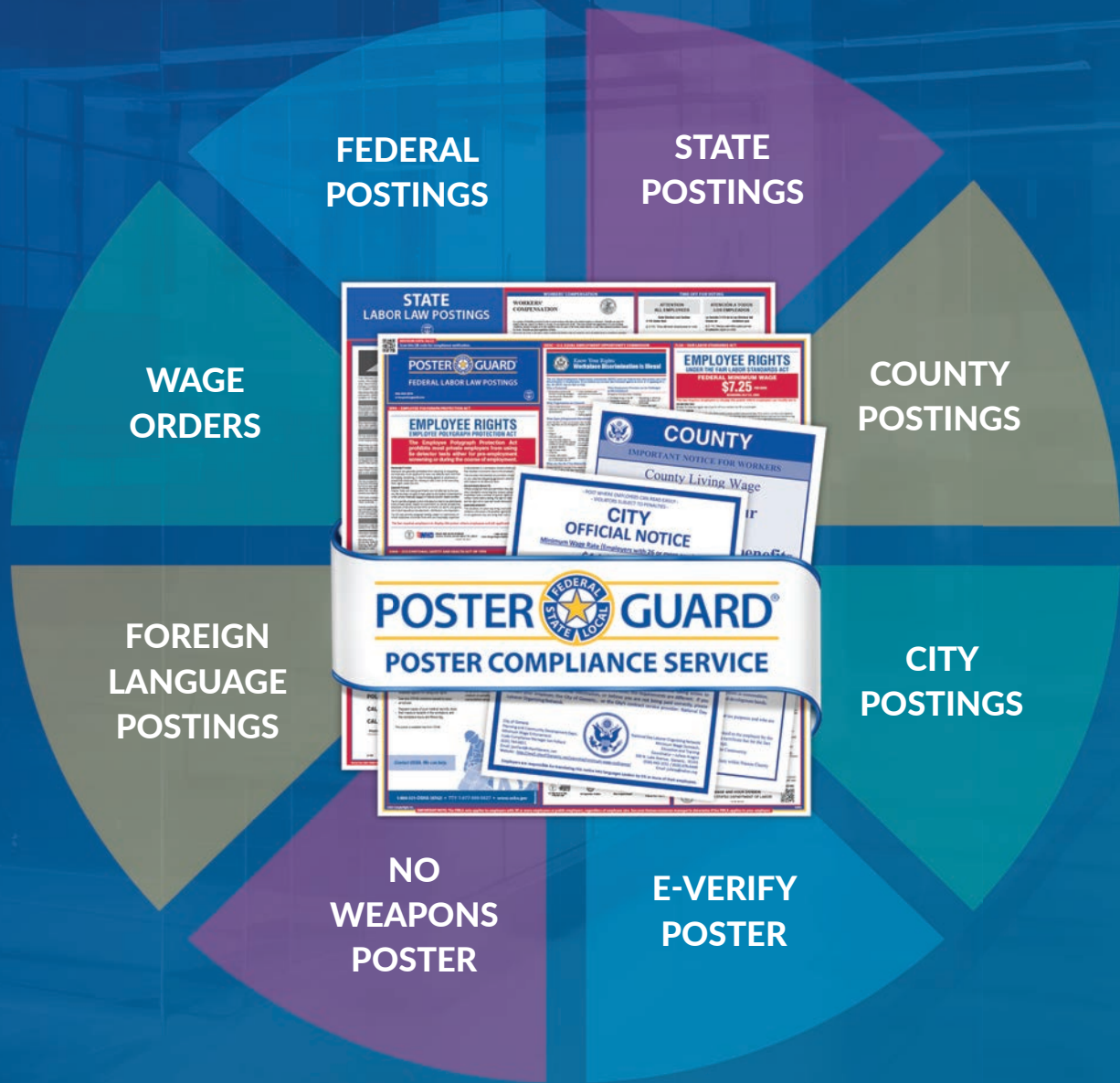
communities or attending PEO Capitol Summit to help us succeed in amplifying our industry's voice. As the needs of small businesses continue to evolve, the demand for innovative solutions has never been greater. PEOs can be that solution for millions of American businesses. That's something worth celebrating. ■



CASEY M. CLARK

President & CEO
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Alexandria, VA

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