PEO INSIDER

PUBLISHED BY THE NATIONAL ASSOCIATION OF PROFESSIONAL EMPLOYER ORGANIZATIONS®

THIS MONTH'S FOCUS

TECH, DATA AND INNOVATION

SCALE SMARTER

AI GUARDRAILS

THE PEO OF TOMORROW



COVER STORY

OPTIMUM HR:

THE POWER OF STAYING PERSONAL

Kevin Gramian, CEO & Founder, Optimum HR

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

VOL. 30 ISSUE 9

NOV 2026

See Your Retirement Clearly.





SLAVIC
401K

Recordkeeper | TPA | Investment Advisor
Slavic401k.com

Conte



Kevin Gramian, CEO & Founder, Optimum HR

30
COVER STORY:
Optimum HR:
The Power of Staying Personal

THIS MONTH'S FOCUS: TECH, DATA AND INNOVATION

12

SCALE SMARTER

AI, Employment and the PEO Opportunity
John Slavic and Charles Couch

AI is making work cheaper, but cheaper work does not automatically mean fewer workers.

AI and Profitability: How PEOs Can Use AI to Improve Profit Margins
Ish Baid

Here's what PEO leaders often miss: You don't need to eliminate headcount to improve profitability.

18

AI GUARDRAILS

Decide How Your PEO Should Operate Before AI Does
Tom Deen

AI gives us an opportunity to do more than automate work.

The Smartest AI Knows When to Stop
Nami Baral

In 2026, the companies pulling ahead with AI agents are the ones deliberately limiting what those systems are allowed to do.

24

THE PEO OF TOMORROW

Technology Enables a More Flexible Workforce Partnership
Jim Neve

The future belongs to solution partners that adapt to the employer, rather than asking the employer to adapt to a restricted offering.

Trust at the Speed of AI: Four Priorities for PEO Leaders
Dr. Sami Mian

Here are four lessons I believe PEO leaders should take from the companies getting that balance right.

PUBLISHED BY THE NATIONAL ASSOCIATION OF PROFESSIONAL EMPLOYER ORGANIZATIONS®

NOVEMBER 2026





nts

TRACKS

07 Letter from the NAPEO Chair
08 Quick Hits
28 PEO Voices
35 Legal, Legislative, & Regulatory
41 HR, Employment, & Benefits
46 Operations & Technology
50 PEO Growth
54 Letter from the NAPEO President

NAPEO THANKS ITS 2026 MEDALLION PARTNERS

INDUSTRY CHAMPION

PRISMHR SLAVIC401K

DIAMOND
Ameritas

PLATINUM
Aon
Fisher Phillips
Gallagher
Libertate Insurance Services
PEO Velocity by Compass/PRM
PRO Software, LLC

GOLD
Equitable
Guardian Life Insurance Company
isolved
MetLife
Poster Guard Plus
Ready to Fund
SUNZ Insurance Company
ThinkWare Corporation
Transamerica
US Enrollment Services – Daybright Broker Solutions

SILVER
AmWINS Specialty Casualty Solutions, LLC
BLR
G-P (Globalization Partners)
Key Risk (a Berkley Company)
McHenry Consulting
NestEggs 401(k)
PayPlus Software, Inc.
SouthState Bank NA
UKG

BRONZE
Aetna
Benefit Cloud
Cloud9 HR
Innovation Growth Partners Specialty, LLC
Lincoln Financial
PosterElite
Selerix
Tabulera, Inc.
UnitedHealthcare

PEO INSIDER®

OFFICERS
CHAIR
Bill Maness
VICE CHAIR
Steve Scott
SECRETARY/TREASURER
Brent Tilson
IMMEDIATE PAST CHAIR
David Feinberg

DIRECTORS
Rick Bartholomew
Stephen Calvert
Joe Carfagno
Ted Crawford
Anne Donovan
Eric Foster
Tim Graham
Dale Hageman
Daniel Harris
Roger Hays
Chase Heywood
Corey Hookstra
Melissa Kelly
Andy Lubash
Christina Nelson
Chad Parodi
Sharlie Reynolds
Darryl Wagner
Justin Worrell

STAFF
PUBLISHER
NAPEO
CEO/PRESIDENT
Casey M. Clark
EDITOR
Chris Chaney
MANAGING EDITOR
Kerry Marshall
VICE PRESIDENT OF MEMBERSHIP DEVELOPMENT
Nancy Benoudiz
703/739-8169
nbenoudiz@napeo.org
DESIGN
Holland-Mark

PEO Insider® (USPS 024-492)(ISSN 1520-894X) is published monthly except June/July and December/January, which are combined, by the National Association of Professional Employer Organizations, 707 North Saint Asaph Street, Alexandria, VA 22314-1911. Periodicals Postage paid at Alexandria, Virginia, and additional mailing offices. POSTMASTER: Send address changes to *PEO Insider*,® 707 North Saint Asaph Street, Alexandria, VA 22314-1911.

Opinions expressed in this publication are those of the individuals who have contributed articles and are not necessarily those of NAPEO, its officers, directors, or employees. No part of this publication may be reproduced or distributed without the written permission of NAPEO.

Subscribe Online
Renew or subscribe to *PEO Insider*® online! Save time and postage. Join NAPEO or renew your membership at **www.napeo.org**.

© 2026 NAPEO. All Rights Reserved.

The Voice of the PEO Industry™

NAPEO National Association of Professional Employer Organizations

One Ecosystem.
More Ways to Grow.

PrismHR connects the technology your PEO needs today with more capabilities at the ready as your business and clients evolve.



Managed Services | Professional Services | Marketplace

POWERED BY PRISM INTELLIGENCE

Powered by Prism Intelligence.
AI-Powered Workflows.
Smart Decisions.
Better Outcomes.

Ready to Power What's Next for Your PEO?
Scan the QR code to find out more.

PRISMHR

©2026 PrismHR

WHY MEMBERSHIP MATTERS

BY BILL MANESS

As NAPEO's 2027 membership renewal season begins, I encourage you to think about what membership *really* means.

Sure, we all know there are tangible benefits that come with belonging to NAPEO: access to the regulatory database and timely legislative updates, industry research, PEO-specific educational programs, networking opportunities, *PEO Insider* and much more.

Those things matter, but the real value of membership is bigger than any one benefit.

Our industry faces issues that no individual company can tackle on its own. That is where NAPEO membership makes a difference.

One of the things I have always appreciated about this industry is how willing people are to help one another. We may compete for business, but when it comes to navigating a difficult regulatory issue, comparing notes on an operational challenge or thinking through what is coming next, there is tremendous value in being able to pick up the phone and talk to someone who has been there before.

> *Most importantly, NAPEO membership creates a unified industry voice that helps make all our businesses stronger.*

NAPEO helps create those connections. It also gives us access to the information and expertise we need to make better decisions and stay ahead of changes affecting our companies and our clients.

Most importantly, NAPEO membership creates a unified industry voice that helps make all our businesses stronger. When NAPEO advocates in Washington or in state capitals, educating policymakers about our industry, advancing pro-PEO policies or pushing back on proposals that could negatively affect PEOs, that work is possible because we speak with a united voice about how our industry helps 233,000 business and 5.4 million workers thrive.

As board chair, I get a close-up view of just how much happens behind the scenes on behalf of our industry. I also know none of it happens automatically. It happens because you have chosen to invest your resources and time in NAPEO. I hope you will continue to do so in 2027 so we may build upon the progress we have made this year.

Renewing your NAPEO membership is an investment in the strength and future of the PEO industry. It will take all of us working together to move this industry forward. I look forward to working alongside you once again. ■



BILL MANESS
2026-2027
NAPEO Chair
CEO
Syndeo

LEADERSHIP

DAYBRIGHT FINANCIAL NAMES BEAU ADAMS AS NEW PRESIDENT

Daybright Financial has appointed Beau Adams as president. He brings nearly three decades of experience across retirement plan services, wealth management, recordkeeping, third-party administration and financial services. "Daybright continues to grow, and Beau's appointment strengthens our ability to scale thoughtfully, bring our businesses together around shared priorities, and deliver greater value to our clients," said Megan Schneider, chief executive officer of Daybright Financial. "Beau combines deep industry experience and proven business leadership with a collaborative approach. Most importantly, he shares our commitment to simplify health and financial wellness so people can make better choices today and tomorrow."

CONGRATULATIONS

FISHER PHILLIPS LAUNCHES IN MIAMI WITH TEAM FROM ZUMPANO CASTRO

Fisher Phillips has launched its Miami office with a team from Miami-based law firm Zumpano Castro. Carlos A. Zumpano will serve as regional managing partner of the new office, which for the first two years will use the name Fisher Phillips Zumpano–The Miami Office of Fisher & Phillips LLP, reflecting the Zumpano name's established presence in the Miami market. The Zumpano team will continue to serve PEOs through the Fisher Phillips platform, which now has nearly 900 lawyers in 52 offices, including six offices in Florida with the addition of Miami.

RENEWALS

NAPEO MEMBERSHIP RENEWAL SEASON IS HERE!



This year, renewals will take place through our new member portal, designed to make managing your membership and accessing NAPEO resources easier.

Before it's time to renew, take a few minutes to log in to the new portal, confirm your contact and company information is up to date and familiarize yourself with your account. When you're ready, renew your membership by **December 31** to continue enjoying uninterrupted access to the advocacy, education, resources and connections that come with being part of NAPEO.

Log in to the member portal and get ready to renew: memberportal.napeo.org

KUDOS

COGNET NAMES LEAH COWPERTHWAITE CHIEF REVENUE OFFICER



NAPEO member CogNet has named Leah Cowperthwaite as Chief Revenue Officer. A PEO industry veteran, Cowperthwaite will lead the company's partnership strategy and channel growth. "Joining the CogNet team has been a dream come true. I am thrilled to work alongside industry veterans who are passionate about driving efficiencies and enabling growth. While the CogNet team has been in the trenches with PEO clients for nearly two decades, the complexity and evolution of the industry continue to highlight the benefit of having a strategic back-office partner with PEO process expertise and purpose-built technology. It is an honor to listen, learn and grow with clients and partners as CogNet introduces a new set of AI-powered tools (purpose built for PEO, of course) that expand the value of service delivery in our industry," said Cowperthwaite.

PARTNERSHIP

JUSTWORKS PARTNERS WITH U.S. CHAMBER OF COMMERCE ON QUARTERLY SMALL BUSINESS INDEX



Justworks has partnered with the U.S. Chamber of Commerce to co-produce and release the quarterly Small Business Index. The partnership will bring together Justworks' expertise helping small businesses thrive and the U.S. Chamber's leadership in small business research and advocacy. "The Small Business Index gives small businesses a clear view into how their peers are approaching major business challenges like hiring, benefits, and growth," said Mike Seckler, chief executive officer of Justworks. "Justworks helps small businesses grow with confidence, and partnering with the U.S. Chamber of Commerce to bring actionable insights from the Index to more small businesses is extremely valuable to our current and future customers. We're proud to partner with the Chamber on this work, and we can't wait to see the impact on small businesses."

LEADERSHIP

ALCOTT HR CEO STEVE POLITIS APPOINTED ESAC BOARD CHAIR



Alcott HR CEO Steve Politis has been appointed board chair of the Employer Services Assurance Corporation (ESAC), the accreditation and financial assurance organization for the PEO industry. Politis has been with Alcott HR since 2015 and has held executive leadership and legal roles throughout his career in the PEO industry. He also previously served as chair of the NAPEO Board of Directors.



PEO Velocity
Powered by COMPASS CONSULTING GROUP | PRM Prospective Risk Management

Contact Will Howard,
Director of Sales and Client Management
moreinfo@peovelocity.com
904-910-0359

peovelocity.com

PEO Velocity is a risk-management platform that will help your master-health plan thrive.

We go beyond underwriting by bundling:

- project management
- competitive benchmarking
- risk assessment
- new-business pricing
- performance dashboards
- high-tech tools
- actuarial support
- interactive team

All in one unique PEO experience that's *actionable, collaborative, transparent, and specialized*.

Accelerate your growth today through Velocity's deliberate, creative solutions.

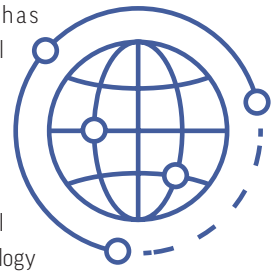
LEADERSHIP

ENGAGE PEO APPOINTS ANDREW REIBEN AS CHIEF FINANCIAL OFFICER

Engage PEO has appointed Andrew Reiben as chief financial officer. He will oversee the company's accounting, financial reporting, planning, tax, lender relations and financial strategy. "Few companies within or outside the PEO industry have grown at the pace Engage has maintained year after year," said Jay Starkman, chief executive officer of Engage PEO. "Andrew brings financial and operational experience to help us manage that momentum and prepare for what comes next."

INNOVATION

VENSUREHR EXPANDS GLOBAL OFFERING

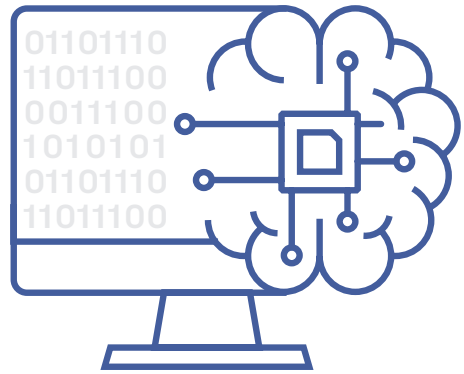


VensureHR has expanded its global offering with the introduction of international HR consulting services and global workforce technology solutions. The new services provide organizations with access to global HR professionals who offer guidance on workforce planning, worker classification, employment laws, policy development and more. "Organizations expanding internationally face challenges that go well beyond hiring and payroll," said Alex Campos, chief executive officer of Vensure Employer Solutions. "They need trusted guidance on workforce strategy, compliance, and operational planning, while also ensuring employees have the tools and technology required to succeed. These new capabilities strengthen our ability to support clients through every stage of building and managing a global workforce."

INNOVATION

GRADIENT AI DELIVERS MAJOR RENEWAL ANALYTICS UPGRADE

Gradient AI has launched a significant expansion of Renewal Analytics, its group health platform that translates claims experience into forward-looking risk assessments. The latest release introduces new capabilities—including incurred but not reported adjustments, peer benchmarking, a group termination model, integrated risk scoring and client-ready PDF reporting—alongside continued enhancements to the platform's analytics, drilldown and filtering functionality.



LEADERSHIP

BESTFIT PEO SOLUTIONS APPOINTS MARCUS MALONE AS CHIEF REVENUE OFFICER

BestFit PEO Solutions has appointed Marcus Malone as chief revenue officer. He will lead the company's revenue strategy, including expanding its national partner network, strengthening relationships with PEO providers, accelerating new business production and developing scalable distribution channels for independent brokers and business advisors. "Marcus understands growth because he has built it from nearly every seat at the table," said Nate Olsen, president of BestFit PEO Solutions. "He knows how to develop sales teams, strengthen partner relationships, navigate complex PEO opportunities, and turn strategy into production. Just as importantly, he shares our belief that sustainable growth begins with helping brokers and their clients make better decisions."

CONGRATS

NEXTEP NAMED TO 2026 BEST WORKPLACES LIST

Nextep has been named to the 2026 *Fortune* Best Workplaces in Consulting & Professional Services list by Great Place to Work and *Fortune* magazine. This marks Nextep's seventh consecutive year on the list. "At Nextep, our people are, and always will be, the foundation of everything we do," said Brian Fayak, president and chief executive officer of Nextep. "Being named one of *Fortune*'s top workplaces in the country for another year proves that as our organization grows, we've stayed true to creating an environment where team members feel valued and encouraged. That internal culture is exactly what drives our award-winning customer service."



LEADERSHIP

COAD APPOINTS DON WEINSTEIN TO BOARD

CoAd has appointed Don Weinstein to its board of directors. Weinstein served as chief product and technology officer at ADP, where he spent 17 years leading enterprise product strategy, technology innovation and digital transformation initiatives for billions in revenue-generating platforms. "Don's tenure as CPTO at ADP gives him firsthand experience architecting and scaling the technology and product strategies that define the modern HCM industry," said Jim Neve, chief executive officer of CoAd. "He understands both what customers expect from workforce technology and how leading companies build and deliver at scale. That perspective is invaluable as we position CoAd's product roadmap and capabilities for the next phase of growth." ■



Innovative Benefit Solutions Built for PEOs

Flexible Pooled Retirement Plan Arrangements

Comprehensive Group Dental and Vision Plans

Partner with the Ameritas PEO Solutions Team to scale benefits for your PEO

Andrew Gunning
National Sales Director
Specialty Markets
Retirement Plans
603-703-9851
andrew.gunning@ameritas.com

Angie St. Paul
Director, Specialty Markets
Group Insurance
Group Dental and Vision
847-239-0461
angela.stpaul@ameritas.com

NAPEO's Medallion Program Partnership

Ameritas fulfilling life.

This information is provided by Ameritas®, which is a marketing name for subsidiaries of Ameritas Mutual Holding Company. Subsidiaries include Ameritas Life Insurance Corp. in Lincoln, Nebraska and Ameritas Life Insurance Corp. of New York (licensed in New York) in White Plains, New York. Each company is solely responsible for its own financial condition and contractual obligations. For more information about Ameritas®, visit ameritas.com.

© 2026 Ameritas Mutual Holding Company

AD 770

SCALE SMARTER



AI, EMPLOYMENT AND THE PEO OPPORTUNITY

BY JOHN SLAVIC & CHARLES COUCH



AI is making work cheaper, but cheaper work does not automatically mean fewer workers. It can also mean more customers, more viable businesses and more demand for the services those businesses provide.

For PEOs, that distinction matters. AI could expand the market for outsourced employment services while changing how much labor each client needs. Meanwhile, the investment boom surrounding AI is already supporting economic activity well beyond technology.

THE EMPLOYMENT PICTURE

Our May paper, *Reassessing the Economic Consequences of AI*, makes two central arguments.

First, capability is only part of the automation equation. More sophisticated AI agents require computing capacity, electricity and repeated model use. Falling costs per interaction can be offset by longer, more complicated workflows. A system capable of doing a job still has to make economic sense when deployed at scale.

The practical comparison is the cost of completing reliable work, including integration and human review. Impressive demonstrations do not settle that calculation.

Second, making a service cheaper can expand demand for it. This is the logic behind Jevons paradox: greater efficiency can increase total consumption. Cheaper software development can make additional projects viable. Faster customer service can make smaller accounts economical to support. Lower administrative costs can make starting a business more attractive.

We have seen recovering job postings in several AI-exposed occupations and corporate commentary emphasizing worker productivity as supporting evidence.

That creates a plausible path toward more employment, although it is not automatic. Within a particular service, demand must expand enough to offset the reduction in labor needed per unit of output. Individual occupations can shrink even as the broader economy grows.

Recent small business evidence supports the expansion argument. Gusto (a NAPEO member company) in a September analysis found that headcount rose roughly 7% relative to comparable nonadopters during the year following AI adoption, with the strongest gains among firms with fewer than ten employees. These were observational findings, so they do not prove AI caused the hiring. Still, they challenge the assumption that adoption necessarily means smaller teams.

THE ECONOMY IS MORE EXPOSED THAN IT LOOKS

A separate paper of ours, *The AI Economy,* argues that the boom's economic footprint extends well beyond technology investment itself.

Imported hardware limits the domestic production captured by that spending. It does not erase the surrounding demand for construction, electrical systems, cooling, engineering, and other services. AI infrastructure creates work for businesses that may have little direct involvement with AI software.

The paper also highlights two less obvious channels:

- **Household spending.** Rising equity wealth can support consumption even when income growth is less impressive.
- **Government revenues.** Higher stock compensation and realized capital gains can strengthen tax receipts in states exposed to the technology sector.

These effects can eventually appear in GDP through consumption and other spending. The issue is that a narrow calculation of AI investment's direct contribution misses the broader chain of economic exposure.

The same connections work in reverse. A pullback in AI investment or equity prices could weaken contractors, suppliers, consumer businesses and public finances together. Long-term productivity gains could still materialize while near-term spending disappoints. The paper also cautions that financial markets may already price in much of the eventual productivity payoff.

WHAT THIS MEANS FOR PEOS

The opportunity is substantial, but capturing it requires more than assuming AI will eventually produce additional WSEs.

Four things matter.

1.) Separate business formation from headcount growth. More businesses can mean more prospective clients, while leaner operating models can mean fewer worksite employees per account. Per-employee fees capture additional workers; payroll-based fees also capture wage growth. Neither automatically captures higher output per worker. Track new accounts, same-store WSE growth and revenue per client separately.

2.) Follow the spending into the client base. Electrical contractors, cooling specialists, engineering firms and other infrastructure suppliers are logical prospecting targets. Look through industry labels to customers and projects. Several apparently unrelated clients may depend on the same data-center development, creating more concentration than the client list suggests.

3.) Make AI implementation a service opportunity. Small employers need help redesigning jobs, training managers, setting employee-use policies and deciding where human review belongs. PEOs can package that support alongside payroll, benefits and recruiting. The useful outcome is a client that can grow without adding administrative complexity.

4.) Measure the PEO's own economics. Automating onboarding, document preparation and routine inquiries could increase the number of clients each service team supports. Measure cost per resolved issue, error rates and retention after including software and review costs. More AI usage is not itself a margin improvement.

Competitive pressure is already arriving. That suggests convenience and integration will increasingly shape client expectations. A standalone chatbot will be a weak differentiator.

The risk to watch is that clients become more productive without expanding payroll, while competitors make basic administration cheaper.

The signal to watch is whether AI adoption translates into additional customers, new employer businesses and sustained WSE growth. If it does, PEOs gain both a larger market and a cheaper way to serve it. If it does not, the near-term payoff will depend more heavily on service efficiency, differentiated advice and client retention. ■



JOHN SLAVIC
Founder & CEO
Slavic401k
Boca Raton, FL



CHARLES COUCH
Economic Fellow
Slavic401k
Boca Raton, FL

AI AND PROFITABILITY: HOW PEOS CAN USE AI TO IMPROVE PROFIT MARGINS

BY ISH BAID

The promise of AI is clear: grow the business without needing to add headcount. This brings down cost to serve and improves profitability. For PEOs, that promise matters more than it does in most industries, because of the economics of a PEO. Revenue scales with worksite employees (WSEs), while costs scale with the internal staff needed to serve them. Anything that lets you add WSEs without adding internal staff drops straight to the bottom line.

Here's what PEO leaders often miss: You don't need to eliminate headcount to improve profitability.

You need to prevent future hiring. It's a subtle distinction, but it changes everything about how you should evaluate, select and deploy AI inside your organization.

Rather than making AI implementation a threatening cost-cutting exercise, it can become a growth strategy your team can actually get behind.





THE IMPACT

Every hire you can defer saves the business $70,000 or more per year once you account for salary, benefits, employer taxes, software seats and management overhead. Defer three or four hires between payroll, HR, and benefits and you've saved yourself a quarter million dollars annually in salary and benefits without even cutting your current staff.

The gains compound in conjunction with growth. Imagine a PEO with 10,000 WSEs and 100 internal employees. At a typical net service revenue of around $1,500 per WSE per year, growing WSE numbers by 1,000 while keeping the same number of internal employees generates $1.5 million in additional annual revenue at a fixed cost level. Since there wasn't any internal hiring, the majority of those incremental dollars come straight to gross profit. After adjusting for variable costs, such "growth without hiring" can add several points to operating margin—something that takes years of pricing and procurement improvements to match.

That is the prize. The question is how to earn it.

THE PROBLEM

Most PEOs struggle to figure out where to start. Many that start make a common mistake in how they approach automation: they assume efficiency equals profitability. It doesn't.

Take two automation projects. Project A saves 20 hours per week across the company and saves zero headcount. Project B saves 10 hours per week and saves two headcount.

Why did project B save twice as much headcount? It's all in where the time savings land.

Imagine two payroll specialists working overtime in processing weeks at 110% capacity, so that another customer win means another requisition. In this case, an automation that gets them from 110% to 95% capacity just deferred two hires. That is real money.

But imagine taking a generalist with capacity of 90% and automating them down to 40%. You save a ton of hours and no money. You still have a person in a seat earning salary and the free time diffuses into the rest of the organization, without reducing the cost base.

Saved time is valuable only if it impacts the hiring decision. Efficiency without headcount savings is a morale gain, not a margin gain.

THE STRATEGY

Once you adopt this paradigm, the strategy follows: pay careful attention to where time savings translate into profitability. Time savings diffused evenly across many departments don't usually impact headcount, because none of the teams cross the threshold where the hiring is deferred.

It makes sense to separate automations into two types.

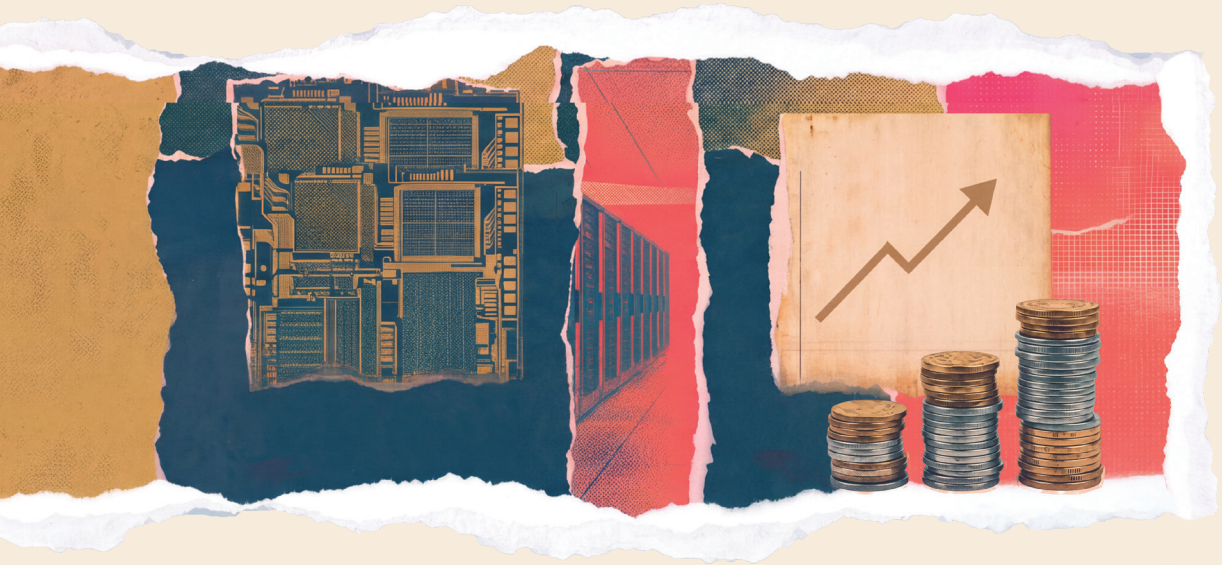
> *Rather than making AI implementation a threatening cost-cutting exercise, it can become a growth strategy your team can actually get behind.*

Horizontal automations save a small amount of time for many people within the organization. They can include meeting summaries, email drafts and generic research assistance. These are great to have, they improve the quality of work life, but the savings are diffuse.

Vertical automations save a large amount of time for one person or one team. This could be an automation of a benefits plan setup for benefits specialists or payroll audit for payroll specialists. The savings are concentrated right where hiring pressure is building.

Vertical automations lead to higher time savings faster and, more importantly, the savings become concentrated in places where they can affect a hiring decision. Horizontal savings may eventually sum up, but they will take a much longer time, if at all, to affect your P&L.

To achieve profitability, go vertical first.



THE TACTICS

Here is a five-step playbook for implementing this approach.

1. Set a baseline. What cannot be managed cannot be measured. Establish your co-employee ratios (WSEs per internal employee) separately by department. The general ratio tells you how efficient your business is; the department ratios tell you where pressure is building. A payroll department with a ratio of 2,500 WSEs per specialist and an HR department with a ratio of 900 WSEs per generalist present completely different automation targets.

2. Identify departments at risk of hiring. Your next hire is the biggest automation target. Find the areas where capacity is strained now and where growth will strain it further. For example, if your sales pipeline shows that you'll add 800 WSEs over the next two quarters, and your payroll department is already at capacity, payroll is where you're going to hire and where automation should be implemented first.

3. Map manual processes and their time consumption. In departments that are likely to hire, identify the manual processes and estimate how much time they require. Concentrate on well-defined processes: repeatable, rules-based, and documented, or at least documentable. Processes that require significant judgment are not the best candidates yet; well-defined ones can be handled effectively by today's AI solutions.

Processes that are likely to be automated at most PEOs are:

- HR: employee handbooks, leave of absence administration, separation notices, new hire processing, terminations
- Payroll: time entry, payroll auditing, payroll summary reports
- Benefits: benefits guides, benefits plan setup
- Implementation: client onboarding, PTO plan setup, employee census imports

If a process has a checklist, template or SOP behind it, it's a perfect candidate for automation.

4. Implement the automation. With the targets identified, apply AI and automation to make the process run more smoothly. Here you face a classic dilemma: build or buy. You can implement automation in-house, which allows you to retain full control but requires engineering resources, maintenance and patience to iterate. Alternatively, you can team up with an automation provider with specific PEO expertise. That allows you to deliver results faster and benefit from patterns learned from many other PEOs, but it requires extra care with regard to data security, integration with HRIS and vendor viability.

There is no universal answer here, but the key question to ask is: which path reaches the point of deferring a hire faster? For most PEOs without an engineering team, ready-to-market solutions will get there first.

5. Monitor your progress against the baseline. Finally, close the loop. Track your co-employee ratios on a quarterly basis (overall and by department), and compare them to your initial baseline. A decent target is to achieve a 10% improvement in your WSE-to-internal-employee ratio every year. If your ratios aren't improving, your automations are producing horizontal comfort instead of vertical savings, and it's time to shift gears.

THE BOTTOM LINE

AI will not improve your profit margins by making everyone a little faster. It will improve your margins when it concentrates time savings in the exact places where you would otherwise have to hire. Set your baseline, find the next hire before it happens, automate the well-defined work underneath it and hold yourself accountable to the ratio. Do that consistently, and you can grow WSEs quarter after quarter while your cost base stands still, which is exactly where profitability lives. ■



ISH BAID
Co-Founder
Wayside AI
New York, NY

AI GUARDRAILS



Decide How Your PEO Should Operate Before AI Does

BY TOM DEEN

After 30+ years in technology, I've seen enough technology cycles to know that the biggest risk is rarely the technology itself. It's what organizations do around it.

AI is moving faster than most organizations can realistically change. New capabilities will keep arriving, and the pressure to "keep up" will only increase. That creates a real temptation to chase the technology and pull the organization along behind it.

But adopting more AI does not automatically create a better operating model. It can make an inefficient process faster, move complexity somewhere else, or create new management responsibilities.

The technology will change faster than your organization can. That makes judgment, process discipline and operating-model design more important, not less. PEOs will capture more value by focusing on two things: designing better ways of working and preparing leaders to manage a workforce that increasingly includes both people and AI.

DON'T LET VENDORS DEFINE YOUR OPERATING MODEL

AI vendors are going to keep showing us increasingly capable products, some of which will genuinely change how work gets done. But the fact that a product can perform a task does not mean your PEO should redesign itself around that capability.

A demo can show you what the technology can do. It cannot tell you whether using it that way strengthens or dilutes what makes your PEO different. The operating model should come first: what outcome are we trying to achieve or improve, how should the process work, where should judgment live and what role should technology play?

Then choose the tools that support it.

Reverse that order and we risk letting the product shape the process and the organization absorb the consequences later.

A compelling demo is not an operating model.

DON'T AUTOMATE A PROCESS YOU HAVEN'T CHALLENGED

Most established organizations have processes that made sense when they were created. That does not mean they still represent the best way to work. Before applying AI to a process, challenge it. Understand why the major steps exist, which ones still create value, where judgment is required and what you would design differently today.

AI gives us an opportunity to do more than automate work. It gives us a reason to reconsider the work itself. The people who know a process best are essential to redesigning it, but familiarity can make assumptions difficult to see. "That's how we do it" is useful context, but it should not end the discussion.

Stanford's Digital Economy Lab found a similar pattern in its study of 51 enterprise AI deployments: outcomes often depended less on the AI model than on the organization's processes, leadership and willingness to change.

Before asking where AI fits into a process, make sure the process still deserves to exist in its current form.

"HUMAN IN THE LOOP" IS NOT A COMPLETE ANSWER

"Human in the loop" has become a reassuring phrase in AI discussions. But by itself, it tells us very little about whether a process is well designed. If a person is expected to review AI output, that person needs enough context to recognize a problem and enough authority to intervene. Otherwise, human review can become little more than a ceremonial approval step.

The better question is not whether a human remains involved. It is where human judgment belongs in the redesigned process and why. The human role should be designed around the future state, not preserved because that is where a person sat in the old one.

Gartner similarly recommends predefined intervention points for agentic systems rather than assuming human involvement alone provides adequate oversight. Human oversight should be placed where judgment, consequence or accountability require it.

AUTOMATION MAY MOVE MANAGEMENT WORK RATHER THAN ELIMINATE IT

One assumption surrounding AI is that more automation will naturally make managers' jobs easier. Sometimes it will. But as AI becomes more autonomous, some management work may simply move.

A manager may spend less time supervising routine activity and more time evaluating exceptions, validating outcomes and deciding when an AI agent should be overridden.

One assumption surrounding AI is that more automation will naturally make managers' jobs easier. Sometimes it will. But as AI becomes more autonomous, some management work may simply move.

Gartner says managers are increasingly accountable for the behavior, outputs and risks of autonomous digital agents, challenging assumptions that AI will automatically simplify management or safely expand spans of control.

Consider a manager whose team uses AI agents for routine service activity. Fewer transactions may require direct human involvement, but someone still has to recognize when the agent is getting something wrong and determine when intervention is necessary.

That is not necessarily less management. It is a different kind of management.

AI may simplify the task without simplifying the job.

ACCOUNTABILITY STILL BELONGS TO SOMEONE

AI can perform work, recommend actions and increasingly make decisions within defined boundaries. Accountability does not transfer to the technology. It should remain with the person or function responsible for the business process, not IT by default simply because AI is involved. IT may enable, integrate, secure and govern the technology, but the business still owns the outcome.

AI may change who performs the work. It should not make accountability ambiguous.

THE OPERATING MODEL STILL BELONGS TO YOU

Klarna offers a useful reminder that efficiency is only one way to judge success.

The company became one of the most visible adopters of AI in customer service, reducing response times and automating significant volumes of work. But CEO Sebastian Siemiatkowski later acknowledged that Klarna had pushed too far on AI-driven cost reduction; they improved efficiency, but at the expense of customer experience and service quality.

The lesson is not that Klarna's AI failed. Efficiency alone was not a complete measure of value.

The same common sense should apply to our own AI investments. Success may mean better economics, quality, speed, control or experience. Deploying AI is not itself the outcome.

AI is going to keep getting better. The capabilities we are evaluating today will look ordinary sooner than most of us expect. That makes it tempting to organize around the technology.

We should do the opposite.

Challenge the process. Decide how the work should be done. Be intentional about where human judgment belongs. Prepare leaders for the work that moves rather than disappears. Keep accountability with the people who own the business outcome. Then use AI aggressively where it makes the operation better.

The technology will change faster than your organization can. That makes judgment, process discipline, and operating-model design more important, not less.

Don't let AI define how your PEO operates. Decide how you want your PEO to operate, then make AI earn its place in that design. ■



TOM DEEN
Chief Information Officer
Landrum
Pensacola, FL

The Smartest AI Knows When to Stop

BY NAMI BARAL



In 2026, the companies pulling ahead with AI agents are the ones deliberately limiting what those systems are allowed to do.

Gartner projects that by 2027, roughly 40% of enterprises will demote or decommission their autonomous AI agents, and it pins most of that retreat on governance gaps discovered only after something goes wrong in production.

That runs against the dominant story about AI, which celebrates raw capability: bigger models, broader autonomy, more tasks a system can handle without a human involved. For the first few years of generative AI, the defining question was what these systems could produce: an email, an image, a line of code, or a financial model.

But the harder question that matters more is what we're willing to let AI be responsible for.

Much of the AI industry has poured its energy into making models better at answering. High-consequence environments demand a less celebrated skill: the ability to stop.

GENERATION VS. ACCOUNTABILITY

If an AI writes a mediocre ad, you regenerate it. If it summarizes a meeting incorrectly, you fix the notes.

But if a system running payroll gets someone's tax withholding wrong, misses a benefits enrollment, or sends $600,000 where $60,000 was owed, you can't just hit regenerate. The mistake becomes a real financial loss, and damages your credibility.

That's exactly why the PEO industry is one of the most revealing places to watch responsible AI take shape. Here, the most valuable AI is the most disciplined: it understands one domain deeply, flags what doesn't add up, and hands the consequential decision to a human.

THE MOST USEFUL AI OFTEN KNOWS LESS

For most of the AI industry, "capability" means breadth; more parameters and modalities. High-consequence work flips that definition on its head. Sometimes the system that knows less is the one you can trust.

Consider medicine's first fully autonomous diagnostic. In 2018, the FDA granted De Novo authorization to an AI system, now called LumineticsCore, to detect diabetic retinopathy from retinal images with no physician reviewing the results.

What made it trustworthy wasn't breadth. It was restraint:

- It was validated in a prospective clinical trial.
- It diagnoses one condition rather than reasoning about everything.
- It refuses to return a result when image quality is too poor to be sure.

Its intelligence includes knowing the edge of its own competence.

Payroll rewards the same design. It doesn't need a model that can debate philosophy or draft a screenplay. It needs deep context: the company, the employee, prior pay periods, the applicable rules, and the specific action it's been asked to take. And it needs to know which data source is authoritative, and which decisions it isn't permitted to make alone.

AUTOMATION IS NOT ENOUGH

Payroll math has been automated for decades. With clean inputs, software computes gross-to-net pay, deductions, and employer obligations with enormous precision.

The hard part is judging whether the inputs make sense in the first place.

Say an employee's gross pay comes in 18% higher than last period. The engine may be working perfectly, but why did the number change? Was it a raise, overtime, commission, or a duplicated entry? And was the change even supposed to land in this run?

Traditional software executes instructions. Modern payroll operators do something more: they scan across the information and ask whether it holds together.

Modern fraud detection recreated that instinct at scale. Banks no longer lean on rigid rules alone. Their models learn what normal behavior looks like for each customer, score every transaction against it, and then take one of three actions:

- Approve it
- Route it to a human for review
- Decline it

The goal isn't to replace the analyst. It's to surface the handful of transactions that warrant a second look. Payroll needs that same layer of reasoning wrapped around a calculation that must stay exact.

A SYSTEM THAT REFUSES CAN BE THE INTELLIGENT ONE

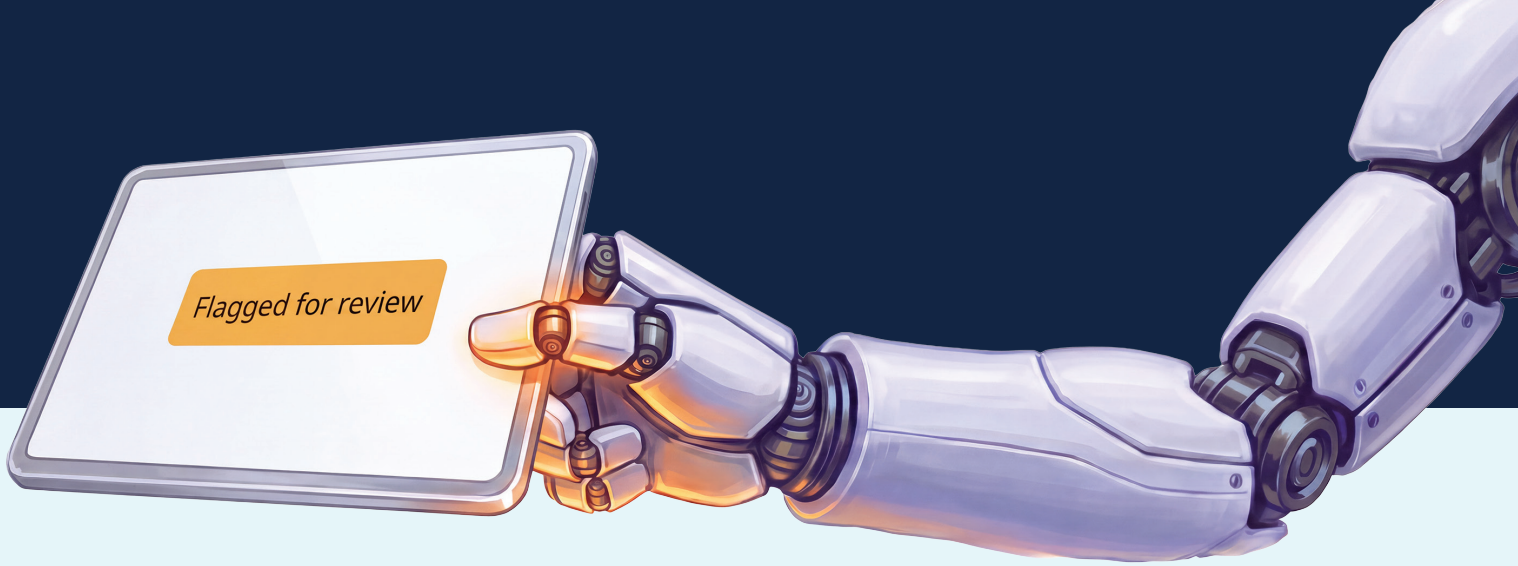
Much of the AI industry has poured its energy into making models better at answering. High-consequence environments demand a less celebrated skill: the ability to stop.

Most modern fly-by-wire aircraft have this built in. Airbus and Boeing flight control computers apply flight envelope protection, restricting control inputs that would push the aircraft past its safe structural or aerodynamic limits, and handing control back to the pilots when a sensor can no longer be trusted.

Payroll and HR are full of moments that call for exactly that restraint:

- Two compensation records that disagree on the effective date of a raise.
- A benefits deduction with no matching enrollment.
- A worker classification that conflicts with other employment data.
- A change in work location that may create a new state tax obligation.

A system optimized purely for task completion would guess and move on. A system designed around responsibility



recognizes that the ambiguity itself matters; it explains the conflict, names the sources, and asks for the missing decision before continuing.

That's automation working correctly.

WHERE THIS GETS REAL FOR PEOS

PEOs and payroll providers exist, in large part, to carry the responsibilities employers would otherwise shoulder alone: pay, employment taxes, benefits, and compliance across a growing map of jurisdictions.

When intelligent systems start performing that work, they inherit a much higher design standard. Accuracy still matters, but so do:

- **Provenance:** where the data came from
- **Permissions:** what the system is authorized to do
- **Auditability:** a traceable record of every action
- **Escalation:** a clear path to a human when it counts

This is the logic behind EMMA, the AI layer within Niural PEO, which validates payroll before the run, flagging missing rate changes or misclassification risk instead of quietly pushing them into production. What matters isn't the model's cleverness. It's the boundaries around it, which make the work more reliable instead of more opaque.

WHAT "AI-NATIVE" SHOULD MEAN

The term "AI-native" is fast becoming broad enough to mean almost anything. In employment operations, it should mean something specific.

It does **not** mean:

- Replacing deterministic systems with probabilistic ones
- Bolting a chatbot onto an HR platform
- Granting an agent unlimited authority just because the underlying model got more capable

An AI-native employment system combines different kinds of intelligence according to the consequence of each task:

- **Deterministic calculation** where the answer must be exact
- **AI reasoning** where information has to be interpreted across systems
- **Rules** where regulation sets a clear requirement
- **Historical context** where anomalies need to be caught
- **Permissions** where actions carry weight
- **Human judgment** where the system meets ambiguity it can't responsibly resolve

The hard part isn't choosing between people, software, and AI. It's designing the boundaries between them.

Done right, purpose-built AI expands the human role rather than shrinking it. Payroll and HR teams stop spending their days catching what the old software let slip, and start operating with more range and more confidence, because a well-designed system carries more of the load and is honest about where its authority ends.

That's the version of AI we are building at Niural, and across this industry: intelligence designed around responsibility.

CAPABILITY ALONE IS AN IMPERFECT MEASURE OF PROGRESS

The public conversation stays fixed on how powerful general-purpose models might become. That's a real question. But the more immediate test is whether AI can move from the edges of work into the systems that actually run a business.

There, capability alone is an incomplete measure of progress. The system also has to:

- Understand context
- Operate within permissions
- Separate inference from fact
- Show where its information came from
- Recognize uncertainty
- And, sometimes, stop

Payroll happens to sit at the exact intersection of all six. Money has to move. Taxes have to be right. Benefits have to work. And employers want all of that complexity to disappear behind a single, simple intention: I want to hire this person.

The opportunity is to build systems capable enough to let people take on more, and disciplined enough to know the boundary. For payroll and the PEOs built around it, that boundary is where most agentic systems need to spend time to be trustworthy. ■



NAMI BARAL
CEO
Niural

THE PEO OF TOMORROW

TECHNOLOGY ENABLES A MORE FLEXIBLE WORKFORCE PARTNERSHIP

BY JIM NEVE



For years, technology in the workforce solutions industry has largely been built around a single question: What can we automate?

Today, the more important question may be: What should employers require from their solutions partner to unlock the flexibility their business demands?

Business owners and HR leaders operate in an environment where needs shift quickly. As companies grow, their workforce needs evolve, as does the balance between the resources they manage themselves and the services they rely on an external partner to provide. The right technology can streamline and connect those services, whether a business wants more control, external expertise, or a combination of both.

The level of administrative support offered should meet them where they are and evolve with them, giving businesses the flexibility to grow, adapt and change how they engage with their workforce partner over time.

EMPLOYERS NEED A FLEXIBLE AND INTUITIVE TECHNOLOGY

The next evolution of workforce technology will be less about fitting employers into predefined software models and more about giving them the ability to choose the combination of technology, services and expertise that works for them.

That means creating a workforce platform that can support the full journey, from self-service users to full HR outsourcing, with different combinations of functionality and support in between.

That also means moving beyond the traditional boundaries of what is known as a professional employer organization (PEO).

A flexible HR employer partner should be able to support an employer across a spectrum of HR technology needs with combinations of administrative services, HR support and benefits. As a company grows, changes its operating model or simply wants more or less support, its workforce solution should be able to move with it.

The future belongs to solution partners that adapt to the employer, rather than asking the employer to adapt to a restricted offering.

This is where the convergence of technology, data and AI, while still maintaining a human touch, can fundamentally change the experience.

ONE FLEXIBLE OFFERING. MORE POSSIBILITIES.

At CoAd, we will soon launch the next release of our existing platform, Project Quantum Leap.

The goal is not simply to add more features or automate individual tasks. It is to create a unified, AI-enabled technology foundation that can support different employment and service models, giving employers the flexibility to determine how they want to engage with their workforce partner.

That distinction matters.

When payroll, time and attendance, benefits, HR services, compliance and other workforce functions operate on disconnected systems, employers and service teams spend valuable time moving information between platforms and resolving issues that technology should have prevented in the first place.

A unified platform creates the opportunity for those functions to work together; with data flowing across the employee lifecycle and technology doing more of the work behind the scenes.

The result will mean a simpler experience for employers: the ability to use technology and services in the way that makes sense for their business today, while having the flexibility to evolve that approach tomorrow.

AI SHOULD ELEVATE THE VALUE OF WORK

AI will be an important part of this evolution, but the value of AI in workforce technology should not be measured by how many AI features a platform can introduce.

Its value should be measured by whether it makes people more effective, systems more efficient, and frees teams from repetitive work so they can focus on higher-value business challenges.

Imagine payroll that can identify anomalies before they become problems. Compliance technology that can help organizations navigate requirements across dozens of jurisdictions. Systems that can proactively flag potential errors rather than simply reporting them after the fact. Or an AI assistant that can help employers find answers and take action without navigating multiple systems.

These are not futuristic concepts. They represent a broader shift in how workforce technology should operate: moving from systems that require people to constantly manage them to systems that can increasingly work alongside them.

The same principle applies to human expertise. AI should not eliminate the value of experienced HR, payroll and compliance professionals. It should give those professionals better tools and better information so they can spend more time on the work where judgment and expertise matter most.

FLEXIBILITY WILL BECOME A COMPETITIVE ADVANTAGE

The workforce solutions industry has an opportunity to rethink what flexibility really means.

Flexibility is not simply offering more products or services. It is giving employers the freedom to choose the level of partnership that makes sense for their business and the ability to change that level as their needs change.

That could mean managing payroll themselves while accessing HR expertise. It could mean working with their own benefits broker within the same ecosystem. It could mean automating routine workforce administration while relying on specialists for complex issues. Or it could mean having a fully managed solution today and taking greater control tomorrow.

The key is that each of those experiences should feel like part of the same journey, rather than requiring an employer to switch platforms or rebuild its technology foundation every time its needs change.

The important thing is that employers should not have to choose a permanent path on day one.

Their workforce strategy will evolve. Their technology should be able to evolve with it; at their pace and on their terms.

THE OPPORTUNITY AHEAD

The HR industry brings together technology, expertise and services to help businesses manage one of their most important assets: their people.

The next generation of workforce partnership has an opportunity to go even further, creating a more unified, flexible experience that can meet employers wherever they are in their journey.

The opportunity is to move beyond a traditional PEO model and toward a more flexible workforce platform; one that combines the convenience of technology with the expertise of people, uses AI to anticipate needs rather than simply respond to them, and gives employers more choice in how they manage their workforce.

At CoAd, that is our philosophy: leveraging technology to enable a flexible set of solutions that can scale with employers, support different models of partnership and evolve with their workforce needs.

Because the future of HR services isn't about choosing between technology and human expertise. It's about bringing those possibilities together and giving employers the freedom to choose what works for them, today and as they grow. ■



JIM NEVE
CEO
CoAd
Bradenton, FL

TRUST AT THE SPEED OF AI: FOUR PRIORITIES FOR PEO LEADERS

BY DR. SAMI MIAN

I've worked alongside software teams who haven't touched a keyboard in months; they build and ship products largely by describing what they want to an AI. I've worked in fulfillment centers where robots, not people, travel the aisles. And in my time in the space industry, I watched systems fly a satellite or steer a mission towards Mars, with no one at the controls to correct course in real time.

What most people miss is that AI at its most advanced is often invisible to the people it helps. Say "AI" and people picture a chatbot or content generator: You type a question, it types back an answer. That's the most visible layer but it isn't where the real work happens. The AI reshaping work today is much quieter and more structural. Today's most sophisticated organizations are embedding intelligence throughout their workflows: triaging requests, supporting audits, reviewing information, and flagging what needs human attention.

Think back to the early days of Excel. Some people used it as a glorified calculator. Power users built models that changed how their companies analyzed information, presented it, and even forecast what came next. Same software, completely different value. AI is at that same fork today.

Having watched AI deployed across robotics, autonomous systems, and space technology, I've come to believe the PEOs who are getting the most value from AI share one habit: they start with the outcome and work backward to the technology.

Nobody calls their PEO to say, "Thank you for the AI!". Clients care whether their payroll runs correctly, whether their questions get answered, whether somebody actually has their back. That's it.

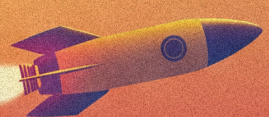
I've been in the PEO industry for 20 months. That's long enough to see how much this business runs on trust, and short enough to still see it with outside eyes. PEOs are built on something AI can't manufacture. When a client signs with you, they hand you their most valuable asset, their people. Just like a car driving itself on the highway, their payroll is a mission-critical system, that can't afford to be right only 99% of the time. For a client with 200 employees, 99% means two people paid incorrectly every payday. These clients didn't come to buy AI. They came for accurate payroll, better benefits, less risk, operational stability, and the confidence to run and grow their business. That relationship exists because you've shown them you've got this, and that if something goes wrong, you'll be there to make it right.

Trust like that takes years to build: years of showing up and getting it right, time after time. It can be lost in minutes. One bad chatbot exchange with a client trying to resolve an urgent employee issue, one mistake that feels impersonal, and the trust you worked so hard to build is gone. AI speeds everything up, including how fast trust can fall apart.

So the question isn't "How do we use more AI?" It's "How can AI help us deliver a better experience for the clients who trust us with their people?"

That's exactly why the invisible, embedded kind of AI matters so much for this industry. The companies actually winning with AI right now have figured out how to build it quietly into how work already gets done, inside the workflows where it can create real value, add efficiency, and deepen trust. The future of the PEO industry isn't less human. It's humans equipped with better tools.

Used well, AI can actually build trust. With the right governance in place, AI can strengthen client relationships and help differentiate your organization in a competitive market. It can catch payroll anomalies before they become errors, flag compliance risks early, surface ways to improve benefits while controlling costs, and help service teams respond faster and more consistently. When clients experience



a PEO that is more responsive, more proactive, and more reliable, they trust it more. AI should strengthen human relationships, never replace them.

Here are four lessons I believe PEO leaders should take from the companies getting that balance right.

LESSON 1: TRAIN YOUR PEOPLE

One of the biggest mistakes organizations make is confusing access with adoption. I've seen companies roll out AI tools and declare victory. Six months later, nobody is using them in a meaningful way. The technology wasn't the problem. The organization never taught people how to incorporate it into their daily work.

The organizations seeing the greatest return on AI investment treat adoption as capability building. They invest in training and give people room to experiment. They create environments where employees learn what AI is good at, where it falls short, and how to use it responsibly. For PEO leaders, the lesson is simple: don't measure AI success by the number of licenses you bought. Measure it by how well your people use AI to serve clients.

LESSON 2: GOVERN BEFORE YOU SCALE

In aerospace, you don't test safety after launch. In financial services, you don't worry about compliance after money moves. The same principle applies to AI.

Too many organizations race to deploy new capabilities before establishing clear rules for security, accountability, oversight, and data protection. That's risky anywhere. In a PEO, where AI can touch payroll, benefits, and sensitive employee data across the entire employee lifecycle, it's a risk you can't afford.

In practice, that means clear rules on what data each AI tool can and can't touch, a named person accountable for anything AI produces that reaches a client, and visibility into which tools your people are actually using. Teams move with more confidence when everyone knows where the guardrails are.



The organizations finding real success with AI are obsessed with outcomes. Start with the problem you're trying to solve, and ask good questions.

LESSON 3: FIND YOUR POLISH

Merriam-Webster named "slop" its 2025 Word of the Year, defining it as low-quality digital content produced in quantity by AI. AI makes content cheap to produce; it doesn't make it good. Without the right guardrails, it's hard to maintain the craftsmanship that reflects your brand, your identity, your values, and the level of care your clients expect. The companies that consistently deliver exceptional service know that AI doesn't eliminate the need for craftsmanship.

Nintendo is one of my favorite examples. For decades, the company has been known for what fans and critics call "Nintendo polish": an obsession with tiny details most people never consciously notice but absolutely feel. It's why a Nintendo game feels intuitive from the first minute, and why people trust the product before they've even started using it.

For a PEO, that level of craftsmanship matters even more now, because AI makes "good enough" effortless. But AI doesn't own your standards, You do. Your clients will judge the answer itself: was it was accurate, thoughtful, timely, and useful? Whether AI helped write it won't matter to them.

Use AI to raise your standards and meet them more consistently. Find your polish.

LESSON 4: STAY OBSESSED WITH THE CLIENT OUTCOME

The organizations finding real success with AI are obsessed with outcomes. Start with the problem you're trying to solve, and ask good questions.One technique worth borrowing is Toyota's "Five Whys": ask "why?" five times, and keep digging until you reach the real business challenge. Then evaluate every AI initiative through the lens of the client:

- Does this improve the client experience?
- Does this increase trust and confidence?
- Does this reduce friction?
- Does this help employees focus on higher-value work?
- Does this make service better?

If the answers are yes, you're on the right track. Whether the tool is groundbreaking or ordinary, the goal is always the same: a better experience for the clients who trust you with their people.

KEEP SOMEONE AT THE CONTROLS

I opened with systems steering a mission toward Mars with no one there to correct course. Autonomy like that exists in space because no one can be there in time. PEOs exist for the opposite reason. Clients hand you their people and their payroll because they want someone paying attention, not a system running on its own.

The future belongs to companies that use AI intentionally and keep people, not technology, at the center of the experience.

Train your people. Govern before you scale. Find your polish. Stay obsessed with the outcome. Do that, and AI won't be what your clients notice. It'll be the quiet, invisible layer running through your workflows. What they will notice is that the experience just keeps getting better. ■



DR. SAMI MIAN
Chief AI Officer
PrismHR
Chandler, AZ

Why are PEOs choosing **PRO** over their current provider?

Intelligence.



PROtelligence™ has enabled PRO customers to automate 50%+ of payrolls through AI automation.

PROmetheus™ has helped reduce call volume by as much as 60% with AI-powered employee support.

PRO SOFTWARE

Marketing@prosoftware.com
PROSoftware.com
281.202.3648

Member of HCM DEFENDER

NAPEO MEDALLION PROGRAM PARTNERSHIP PLATINUM

OPTIMUM HR: THE POWER OF STAYING PERSONAL

BY CHRIS CHANEY

When Kevin Gramian decided to leave a successful corporate sales career and launch his own PEO in 2007, he fulfilled a lifelong dream to be his own boss.

"I always wanted to own and operate my own company," Gramian says. "The motivation came from wanting liberty. I wanted to call the shots and work with who I wanted and not be part of a corporate bureaucracy."

His background in corporate payroll sales exposed him to the PEO industry and he saw an opportunity to combine his experience in payroll and employee management with his entrepreneurial ambitions, particularly in California, which he believed was an underserved market.

Gramian reached out to NAPEO to learn more about the industry and the association sent him a packet of information for prospective PEO operators which eventually led him to industry consultant Dan McHenry.

A business plan and many late nights later, he had laid the groundwork for Optimum HR. Two friends who owned businesses became his first clients and the rest is history.

Nearly two decades later, Optimum HR serves hundreds of small and mid-sized business clients across California and is on a mission to serve even more.

FINDING A FOCUS

Like many business owners, Gramian discovered that entrepreneurial ambition alone is not enough to power a successful business.

Part of the challenge was figuring out exactly what kind of company Optimum HR should be. In its early years, the business offered a wide range of services, including payroll processing, PEO services, administrative services organization (ASO) services and HR consulting. The objective was understandable: Generate revenue, attract clients and build a sustainable business. But pursuing too many different opportunities came at a cost.

"We were running fast, but we weren't focused," Gramian says. "When you have a monthly burn rate, you start to do anything that can generate revenue. We had an identity crisis in those early days!"

Eventually, Gramian determined he needed to reevaluate the company's direction. He began comparing the resources required to support standalone payroll and HR clients with the revenue and opportunities associated with comprehensive PEO relationships.

"I realized around 10 years into it we could not grow if you are everything to everyone," Gramian says.

So, Optimum HR would narrow down its service offering and would concentrate on being a thriving PEO. The decision simplified its sales strategy, aligned its resources and gave the company a clearer identity. The shift required more than a marketing change. It required building the infrastructure and expertise necessary to support a comprehensive PEO offering.

For Gramian, the transformation reinforced an important lesson: Growth doesn't necessarily come from offering more services. Sometimes it comes from becoming better at delivering the right ones.

A CALIFORNIA COMMITMENT

While many PEOs pursue growth by expanding geographically, Optimum HR has made a deliberate decision to concentrate on California. Gramian sees considerable opportunity in serving businesses throughout the state, where employers must navigate a complex and constantly evolving employment environment. California's distinctive labor laws,



Kevin Gramian

regulatory requirements and litigation landscape create challenges for employers and opportunities for PEOs with specialized knowledge.

That geographic concentration is central to the company's value proposition. Rather than attempting to build a national footprint, Optimum HR has invested in the expertise and infrastructure needed to serve California employers. Gramian believes the market offers significant room for continued growth, particularly for PEOs that understand the nuances of doing business in California. But he also recognizes that expanding a PEO requires more than simply adding clients. It demands systems, specialized talent and leaders capable of managing an increasingly sophisticated organization.

PUTTING PEOPLE IN THE RIGHT PLACES

One of the biggest challenges Gramian has faced as Optimum HR has grown is assembling the right leadership team.

"One of the most important leadership lessons I've learned is that building a great company requires a strong leadership team with complementary strengths," Gramian says.

He believes successful organizations need leaders who excel at building processes, systems and organizational structure, alongside those whose strengths lie in relationships, communication and understanding people.

"No single leader can be great at everything," he says. "The key is surrounding myself with the right people, leveraging their individual strengths, and creating a team that balances operational excellence with care for people."

That philosophy has influenced how Gramian builds his management team and plans for the company's future. Rather than relying exclusively on the experience that helped Optimum HR reach its current size, he has sought leaders capable of building the infrastructure needed for its next stage of growth.

One member of the leadership team has been around from the very beginning, however. Deanna Wietor was the very first employee Gramian hired and has had nearly every job in the company throughout her tenure. From her initial role as client service representative to her current role as Vice President of Client Experience, Wietor is a trusted and valued member of the team.

The company is also pursuing an organic growth strategy, reinvesting in its operations as it expands rather than relying on acquisitions. For Gramian, the objective isn't simply to get bigger. It's to build an organization that can grow without sacrificing the quality of its service or its internal culture.

A CULTURE OF OPPORTUNITY

Optimum HR's emphasis on people extends beyond its leadership team. The company's purpose statement is straightforward: "We are passionate about helping people achieve their highest potential." At Optimum HR, that commitment begins with the employees who serve clients every day.

"If you take care of them by challenging them and providing opportunities to grow by learning and being promoted into new roles, then they will take care of the clients and the business," Gramian says.

Internal advancement is a particular point of pride. Nearly half of Optimum HR's employees have moved into different positions over the past three years, including roles created as the business expanded. Two employees were promoted into management positions in the past three months alone.

These opportunities reflect a broader philosophy of helping employees pursue their ambitions rather than viewing them solely through the lens of their current responsibilities. The proof is in the numbers. The company has also received repeated recognition as one of Orange County's best places to work for the past 11 years in a row and boasts a 4.8 rating on Glassdoor.

Gramian sees those measures as reflections of an environment where employees feel supported, challenged and able to build meaningful careers. As Optimum HR grows, maintaining that environment will be increasingly important.

A business built around responsive, personalized client service depends on employees who are engaged in their work

and empowered to solve problems. For Gramian, investing in employees isn't separate from delivering excellent service. The two are inseparable.

KEEPING THE HUMAN CONNECTION

At a time when businesses across industries are embracing artificial intelligence, chatbots and automated customer service, Optimum HR is taking a decidedly human approach to its client relationships.

Gramian isn't opposed to automation. He sees its value in improving operational efficiency and streamlining processes, but he draws a distinction between using technology to support employees and allowing it to replace personal interactions with clients.

He wants clients to continue reaching real people rather than navigating automated menus or chatbot conversations before receiving assistance.

"We want modernization where it makes sense, often in background processes, not at the most sensitive moment in the client experience," he says.

At Optimum HR, a person answers the phone when a client calls. The company also reports an average email response time of less than two hours. But speed alone isn't enough. Gramian emphasizes that clients need clear communication about how their questions will be handled, particularly when resolving an issue requires additional research or coordination.

If an employee cannot immediately answer a question, the expectation is to acknowledge the request, explain what happens next and establish a reasonable timeline for resolution.

The company reinforces this approach through client surveys, executive outreach and other feedback mechanisms intended to identify service gaps. Its specialized service structure also creates multiple relationships between clients and Optimum HR employees, helping establish continuity and trust. Gramian believes those relationships are especially valuable when clients face complicated or sensitive HR challenges.



At a time when businesses across industries are embracing artificial intelligence, chatbots and automated customer service, Optimum HR is taking a decidedly human approach to its client relationships.

The strategy reflects a simple conviction: Technology should make service better, not make people harder to reach. In an increasingly automated business environment, that personal connection has become one of Optimum HR's defining characteristics.

NAVIGATING THE HEALTHCARE CHALLENGE

Like many PEO executives, Gramian sees rising health care costs as one of the industry's most significant challenges. New treatments, prescription drugs and other factors continue to put pressure on benefit costs, creating difficult decisions for PEOs, their clients and employees. He believes the industry should continue exploring more tailored health plan options that better reflect the different needs of employees and employers.

"Health insurance trends are a major concern," he says. "With new treatments and drugs, the costs are rising fast."

Although he acknowledges there are complexities in developing more customized offerings, Gramian believes flexibility could become an increasingly important differentiator.

The company is also investing in educational content to help employers better understand these issues and the broader PEO value proposition. Through a podcast, videos and other digital content, Optimum HR addresses topics ranging from PEO fundamentals to multistate employment and health insurance. The effort is part of a broader strategy to educate prospective clients while supporting the company's growth.

GROWING WITH PURPOSE

Looking ahead, Gramian sees considerable opportunity for continued growth in California. His focus remains on strengthening the company's leadership, improving its systems and developing employees who can take on greater responsibility.

It's a different perspective from the one he brought to entrepreneurship nearly 20 years ago. Back then, the goal was independence—leaving the corporate world behind and building a company on his own terms.

Today, Gramian understands that the business's success depends less on his individual efforts than on the strength of the organization around him. He has learned the value of specialization, the importance of complementary leadership skills and the power of cultivating relationships with employees and clients.

And while the company continues to evolve, its guiding principles remain firmly rooted in the human side of business. For Optimum HR, the path to sustainable growth isn't about being everything to everyone.

It's about knowing what the company does best, surrounding itself with the right people and delivering the personal service that clients increasingly value. ■



CHRIS CHANEY
Director, Public Affairs and Editor, PEO Insider
NAPEO
Alexandria, VA

ARE YOU ON THE BUS?



We're not slowing down.

Companies needed a system that didn't just store data, it lifted their operations. So we built ***Phoenix*** to rise above outdated workflows, fragmented tools, and frustration.

Unified Portals
One Login for All

Smart Automation
Fewer Clicks, Faster Results

Real-Time Insights
Decisions Powered by Clarity

Phoenix replaces scattered logins, manual processes, and guesswork with one platform that just works.

Your team logs in once. Automation handles the repetitive stuff. Your leaders see real-time data instead of last month's spreadsheet.

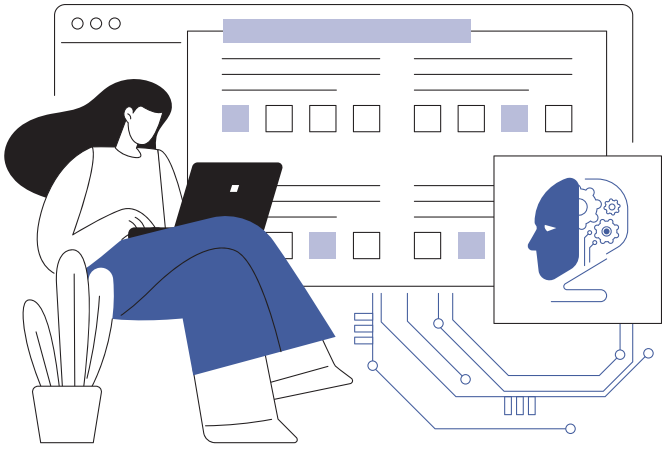
This is what modern HR software should have felt like all along.

NAPEO SILVER PARTNER

Learn More at: **PayPlus.com/Phoenix**

AI SHOULD FREE US TO THINK BIGGER

BY LISA WANG



For years in my career in supply chain, logistics, operations, and now the PEO industry, a common question that has come up for me is, how can we design better processes to have people do more valuable work and solve interesting and important problems? My Six Sigma training and certification reinforced this mindset: some of the greatest gains come from identifying process inefficiencies, eliminating redundancies, and creating more time for critical thinking and higher-value work.

In many operating environments, very smart and skilled individuals still spend a lot of time on things that are important and repetitive. For example, looking at spreadsheets, getting information from several different systems, building multiple versions of the same reports and presentations, watching for new developments in external portals, and AI has the ability to take away some of that operational friction and allow people to analyze more, and make better decisions for their clients and the business.

We saw this firsthand at Justworks. When looking at how unemployment claims operations reports were prepared, a specialist may spend hours downloading data from multiple systems, reconciling discrepancies, formatting spreadsheets, and summarizing updates before the real work even begins. AI can automate many of these manual steps by consolidating data, identifying inconsistencies, and generating an initial report draft.

Instead of spending the majority of their time assembling and extracting information, specialists can spend it asking why unemployment claims trends are changing, identifying risks and outliers, and recommending actions that improve outcomes for the business and its clients. Implementing AI here creates more space for analysis and judgement, the highest impact work that the aforementioned specialist can bring to the table.

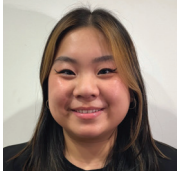
> *Implementing AI here creates more space for analysis and judgement, the highest impact work that the aforementioned specialist can bring to the table.*

Justworks manages relationships with thousands of tax authorities and jurisdictions across the U.S., owns entities in 50 countries, negotiates and administers health insurance risk pools covering hundreds of thousands of people with major carriers, manages thousands of small businesses within a single high-functioning workers' compensation policy, and manages tight integrations with dozens of providers to automate workflows around things ranging from IT provisioning to business insurance. We own critical outcomes, like making sure teams get paid on time, for our 15,000+ small business customers.

AI has given us the opportunity to reimagine how we deliver those outcomes, it's changed the way we work to find that repeatable work, adapting it with new systems powered by AI, and freeing up our talented team to focus on high impact problem solving and decision making.

With AI, teams don't have to be constrained by admin work. They can identify risks sooner, respond to client questions faster, test new ideas and accelerate feedback loops to get to solutions more quickly.

The PEO industry is no stranger to complexity. AI can help simplify the repeatable work so we can all show up for our customers when it matters most. AI is becoming a force multiplier for human expertise rather than a replacement for it. ■



LISA WANG
Senior Analyst, Rate Strategy
Justworks
New York, NY

WHEN THE ALGORITHM DISCRIMINATES, WHO PAYS?

BY KRISTEN FRADIANI

Roughly 500 PEOs support more than 230,000 client businesses according to NAPEO. The average client runs about 20 employees, so almost none of them have anyone governing AI, and almost none of them will.

Whatever screening, scheduling, or performance software they end up using will show up through a PEO platform or a vendor a PEO picked.

That makes PEOs the deployer of record, the party that put the software in front of the client, for AI-driven employment decisions across a large share of the small business economy. It arrives just as courts and state legislatures have started assigning liability based on who deploys or facilitates a decision. That means you can be on the hook without ever having made the call.

The industry has been here before. PEOs grew when the Affordable Care Act made employment compliance too complicated for a 20-person company to manage alone. AI regulation is the next version of that problem. So, the question for your leadership team is simple: risk to contain, or service to sell?

THE ADOPTION GAP IS WIDER THAN THE HEADLINES SUGGEST

SHRM's State of AI in HR 2026, drawn from 1,908 HR professionals, found that 39% of organizations had implemented AI for at least one HR activity, while 62% were using AI somewhere in the business. HR is running behind the enterprises it supports. The measurement picture is thinner still: 56% of HR functions do not formally track whether their AI investments work, and only 16% apply an ROI metric.

That gap widens for PEO clients, who are smaller and carry fewer internal controls. Adoption in that segment happens through feature releases more often than procurement decisions. A client can begin using AI-assisted resume ranking because a vendor turned it on, with no evaluation, no notice to applicants, and no record of the decision logic. Nobody accepted that risk; they inherited it.

PEOs grew when the Affordable Care Act made employment compliance too complicated for a 20-person company to manage alone. AI regulation is the next version of that problem

USE CASES WITH REAL LEVERAGE

The same SHRM survey found adoption concentrated in recruiting at 27%, HR technology at 21%, and learning and development at 17%.

For PEOs, the highest-value applications sit elsewhere: tracking regulatory changes across every state where you have clients, triaging claims intake and return-to-work, answering the first round of benefits and leave questions, and drafting policy language against a defined compliance standard. A tool that flags which of your Illinois clients need updated notice language saves real hours and creates no legal exposure.

The internal uses with the strongest operational return carry the lowest risk, because they retrieve, summarize, draft, and route. The uses carrying real legal weight are client-facing tools that rank, score, filter, or flag individual workers. The line is simple. Tools that help your staff work faster carry almost no legal risk. Tools that make judgments about individual workers carry all of it. Build on the first side while you develop what the second side demands.

CO-EMPLOYMENT CONCENTRATES ALGORITHMIC RISK

Three developments should shape how PEO executives think about exposure.

First, vendor liability is live. In *Mobley v. Workday,* a federal court is letting discrimination claims proceed against an AI screening vendor, on the theory that the vendor acts as an agent of every employer using its tools. Two 2026 rulings widened it further: age discrimination protections reach job applicants, and California's fair employment law may cover the tools even for jobs outside California, based on where the software was built. The takeaway for your platform is the distinction between filtering and judging. A tool applying knockout criteria your client defined sits on safer ground than a tool that scores or ranks people, which can expose the vendor and the employer at once. The answer courts are converging on is everyone who touched the decision.

Second, California's regulations took effect October 1, 2025, and apply the state's anti-discrimination law to any automated system that makes or "facilitates" an employment decision. Facilitating is a low bar. It describes what a PEO platform does all day.

Third, the patchwork punishes multistate operators specifically.

Guardian®

We're PEO people.

Guardian has been supporting PEOs for over 25 years. But we're more than benefits people. We work as an extension of your internal team, helping to simplify day-to-day operations, while also supporting your growth. We're the provider that gets your business, because we get PEOs.

Behind every supportive PEO is a Guardian™

Or visit Guardianlife.com/peo

Guardian® is a registered trademark of The Guardian Life Insurance Company of America® (Guardian), New York, NY.

© Copyright 2026 The Guardian Life Insurance Company of America.

Guardian will never ask you to provide sensitive personal information, including SSN/DOB, nor login via QR codes. 2026-8783855.2 (2/28)



Illinois wants notice when AI factors into a covered employment decision, though it pulled its proposed notice rules in June 2026 with no replacement timeline. Connecticut wants disclosure, starting October 1, 2026: any employer running a WARN-triggering layoff has to tell the state whether AI played a part. California is one signature away from requiring a human in the loop, under a bill covering AI-influenced discipline and termination. Texas bars AI-driven discrimination but makes you prove intent. Colorado's replacement statute lands January 1, 2027.

A PEO with clients in six states manages six regimes. Each of those clients manages one. The rules conflict on specifics, so one national policy will violate something, and your notice language must be built state by state.

You already have the tool for this. Your client service agreement spells out who handles payroll, who files the taxes, who carries the workers' comp policy. Pull one up and look for AI. Most of them say nothing about who picks the tools, who checks them for bias, who documents that a human reviewed the decision, or who pays when it goes wrong. That silence is a choice, and a plaintiff's lawyer will read it as one.

ALGORITHMS CHANGE HOW EXISTING HAZARDS BEHAVE

NIOSH guidance issued in January 2026 offers a reframe worth adopting. It suggests dropping "artificial intelligence" for "trained algorithm," and it makes a point that clears up a lot of confusion: algorithms don't create new hazards. No new chemical, no new pinch point. What they change is how the hazards you already have show up, get controlled, or get worse, by shifting how equipment behaves, how fast the process runs, and how people interact with it.

That has direct workers' compensation implications. Scheduling software that packs shifts as tight as it can will wear people down, and nobody logs it as a safety change because on paper nothing changed. Software that decides who gets which job can hand someone work their doctor told them not to do. Now you have an ADA violation and an injury claim from the same decision. You already walk these clients through hazard assessments. Add one question to it: what did the software change about how this job actually gets done? That's a small addition to something you already do, and it will show up in your injury numbers.



The PEO industry grew because employment law got too complicated for a 20-person company to handle by itself, and AI is now the fastest-growing source of that complication.

PRACTICAL GUIDANCE FOR ADOPTION

Find Out What's Already Running. Asking which vendors you use won't surface it. The AI is inside tools your clients already have: the HRIS, the applicant tracking system, the scheduling app. Ask each vendor a narrower question. What features have you turned on in the last 18 months, and which ones touch hiring, scheduling, or performance?

Rewrite The AI Provisions In Your Client Service Agreement. Address tool selection authority, evaluation obligations, notice responsibility, documentation, and liability allocation. Draft the language once and apply it at renewal.

Test Your Tools, And Understand The Limits Of Privilege. A May 2026 discovery ruling in the Workday litigation held that bias analysis prepared at counsel's direction may be privileged, while underlying factual data on tool performance remains discoverable. If the test shows your tool screens out older applicants, that finding is discoverable whether or not a lawyer ordered the test.

The federal deregulatory push will not resolve this. The biggest federal AI proposal so far, a bipartisan discussion draft from June 2026, would block states from regulating how AI gets built. It leaves state authority over AI in employment completely alone. Read that carefully, because it means the exact rules that apply to you are the ones nobody is preempting. More states will pass them, and the count only goes up.

Which is the whole opportunity. The PEO industry grew because employment law got too complicated for a 20-person company to handle by itself, and AI is now the fastest-growing source of that complication. Give it a few procurement cycles. Prospects will start asking how you govern AI in employment decisions. The PEOs who can hand over a documented program will be selling something their clients have no realistic way to build themselves. ■

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.



KRISTEN FRADIANI
Content Marketing Manager
BLR
Stamford, CT

HR COMPLIANCE AT SCALE: WHAT TECHNOLOGY HAS TO DELIVER

BY SHON HOLYFIELD

There are almost as many technologies claiming to solve HR compliance as there are HR compliance laws, or so it would seem.

Some technology hasn't kept up. Yet, there are new technologies that present fresh options for PEOs wanting to ensure HR compliance is done right.

THE HR LAW PROBLEM

A company of forty people can be subject to more HR laws and compliance requirements than a company of four hundred was a decade ago.

Federal agencies issue guidance, legislatures pass laws, courts reinterpret statutes, and cities and counties add their own layers underneath. There were over 10,000 legal updates in 2025 alone. That would take a single (smart) lawyer 20,000+ hours to find, read, and figure out what to do with the legal update.

For a PEO, that problem multiplies. One client in six states is a challenge. Forty clients across all fifty, each with different headcounts, industries, and local jurisdictions, is a different category of problem entirely.

Most HR compliance software and updates were built for a workplace that

no longer exists. They assume a stable business footprint, minimal staffing changes, and a set body of law with annual review cycles for handbooks.

Yet, there are new technologies available today that weren't available a decade ago or even 5 years ago. Here is what technology has to deliver today.

THE LEGAL FOUNDATION

Everything rests on the legal content underneath, the laws themselves. After all, you cannot comply with a rule that you haven't read, understood, and applied to a business.

> *Employment law does not arrive labeled by which documents it changes. A single amendment can reach a handbook policy, a required notice, a training module, and an onboarding procedure at once.*

The completeness of that legal content determines what a system can be trusted to do.

Three things must be true of it.

- **Complete**. Federal, state, county, and city. Partial coverage is worse than none, because it produces confident answers with quiet gaps in them.
- **Verified.** Actual statutes, regulations, and agency guidance. Not summaries. Not commentary. Not content scraped from the open web, where accurate material and outdated material sit side by side with nothing to distinguish them.
- **Mapped.** Connected to every rule and requirement that applies to a business. Structured so it resolves by headcount, industry, and location down to the actual set of requirements governing one business.

CATCHING EVERY CHANGE

A legal foundation is a snapshot. Law moves. Employment law changes across federal, state, and local jurisdictions. Some changes take effect at the start of the year, mid-year or even the day they are signed. None of them wait for a review cycle.

Monitoring every federal agency, all fifty states, thousands of counties and cities, and the court rulings that reinterpret all of it is not a task that can be assigned to a person alongside the rest of their job. It is infrastructure.

This is where most programs quietly fail. Not through negligence. Through bandwidth. An annual review catches what changed in the preceding twelve months, after the fact, and only if the reviewer knows where to look. Everything between reviews is a gap that opened and stayed open.

KNOWING WHAT IT AFFECTS

Catching a change is the first half. The second is knowing what it touches.

Employment law does not arrive labeled by which documents it changes. A single amendment can reach a handbook policy, a required notice, a training module, and an onboarding procedure at once.

Compliance content falls into six categories, and they have to stay aligned:

- **Handbooks and policies,** tailored to applicable jurisdictions
- **Procedures** for onboarding, disciplinary action, and investigations
- **Documents,** including offer letters and job descriptions
- **Agreements,** including employment and confidentiality agreements
- **Notices and posters,** matched to each work location
- **Compliance training,** covering harassment prevention, safety, and other mandated topics

Housed in a single system, these stay aligned. Sourced separately, they drift apart, and fragmentation is where gaps form. The mismatched policy. The outdated poster. The training module nobody remembers to assign.

STAYING CURRENT, AUTOMATICALLY

Identifying a change and acting on it are different capabilities. Most systems do the first. Someone reads the change. Interprets what it requires. Decides which documents it touches. Makes the revisions manually. For a PEO, then repeats it across every affected client.

Being told about a change feels a lot like having it handled. It isn't. The gap between when the law changed and when the organization caught up is where liability lives.

Closing that loop looks like this. The affected policies update. The right employees are notified. Acknowledgment is captured. Required training is assigned. Documentation is timestamped and retained. All of it without someone remembering to start the process.

PROVING IT

Being compliant is one thing. Proving it is another. A signed handbook receipt proves the employee received a handbook. Nothing more. It does not prove they read it, understood it, or knew a particular policy existed.

The organizations best positioned to defend that gap are the ones tracking acknowledgment policy by policy rather than once at onboarding. Timestamped records. Individual employee files. Policy-specific acknowledgments. The audit trail is not just a feature of the compliance program. It is a critical part of it.

Give Clients a Better Benefits Season

62% of HR Leaders say their open enrollment process is tolerable, but far from perfect.[1]

isolved Network helps PEOs give clients a more connected way to manage benefits, payroll and compliance across their workforce, with Affordable Care Act tracking, carrier connectivity and election accuracy built to support the whole book.

Relied on by **9 million employees** every day for HR, payroll and benefits. Trusted by **more than 200,000 employees.**

Scan the QR code to see what's possible with the isolved Network: Then stop by Booth 501 during NAPEO's Annual Conference to see it in action.

isolved

A NOTE ON AI

AI is entering this space quickly, and the distinction that matters is not the model. It is the source. General-purpose AI is trained on whatever it was fed. Law firm articles. HR forums. Vendor content. Government pages captured at arbitrary moments. Some of it was accurate once. Some never was. All of it now sits in the same blend with no timestamp and no chain of authority.

Such a system will answer a compliance question fluently. It will also have no way to tell you whether the statute it just described is still in effect. The standard worth applying is the one employment counsel applies to itself. An attorney does not advise from memory. Before advising, they establish that the authority exists, that it applies to this client in this jurisdiction, and that it is the current law today.

An attorney will not advise on a law they have not confirmed still exists. Any system making compliance determinations should be held to the same standard.

WHAT THIS ADDS UP TO

More organizations are turning to systems and automation to carry this work, which makes the evaluation question an important one.

Is it built on complete, verified, mapped legal content? Does it know what a change affects across every category of compliance content? Does it act on what it finds or stop at telling someone? Can it prove what happened? A system that does all of these, handles compliance. A system that doesn't, is incomplete.

The technology exists to close that gap. The work is knowing what to require of it.

THE RIGHT QUESTION TO ASK

Start by asking a simple question, how many HR laws exist? If the AI or technology doesn't know, you have your answer. It doesn't have all the laws, doesn't know all the rules, is unable to deliver complete updates, and cannot deliver HR compliance.

There are an exact number of HR laws and technologies now have them. ■

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.



SHON HOLYFIELD
Founder & CEO
SecuraHR
Clearwater, FL

BROKERS and AGENTS
JOIN US
EncoreHR*
EnterpriseHR*
HUMAN RESOURCE AND PAYROLL ADMINISTRATION
EnterpriseHR works ONLY with brokers and agents. We make difficult prospects easy to place in Employee Leasing.
We make earning commissions easy:
- Small businesses, as little as one employee.
- Construction-related businesses.
- Hard to place businesses.
- Companies with previous bad losses.
- Startup companies.
- Our average commission is 2.13% of PAYROLL!
- Certs as fast as 1 day!
- 20 years in business with over 13,000 added in 2019

Contact:
Tim Russell
727.520.7676, ext. 206
888.770.7676
tlrussell@encorehr.com
700 Central Avenue, St. Petersburg, FL 33701
www.enterprisehr.com

AFTER THE FILE IS SENT: WHERE CARRIER FEEDS ACTUALLY BREAK

BY TYLER PRIEST

An employee gets married in March and adds a spouse to the health plan. The change lands in the HRIS the same week. In May the spouse has an emergency room visit and finds out coverage was never active. Somewhere between the HRIS record and the carrier's eligibility system, the change stopped moving.

Nobody made a dramatic mistake. A file went out on schedule. The carrier processed it. The dependent record inside it was rejected for a formatting reason, the rejection came back on an acknowledgment nobody read, and the enrollment sat unresolved for eight weeks.

That gap is worth understanding, because it is the part of benefits data operations that standardization does not solve on its own.

WHAT THE STANDARD ACTUALLY COVERS

EDI 834 is the HIPAA-mandated transaction set for communicating benefit enrollment and maintenance between a sponsor and a carrier. It defines the segments, the loops, the qualifiers, and the sequence in which enrollment information has to appear. It is a genuine standard, and it works.

What it defines is the container, not the contents. Two 834 files can both be perfectly valid X12 5010 and still be unusable by the receiving carrier, because the carrier expects a specific plan code in a specific segment, a specific handling of retroactive terminations, or a specific convention for how a qualifying life event is coded. Carriers publish companion guides for exactly this reason. Those guides differ from each other, sometimes substantially, and they change.

For a single employer with three carriers, that variance is a nuisance. For a PEO carrying two hundred worksite clients across a benefit portfolio that may include medical, dental, vision, life, disability, voluntary products, COBRA administration, FSA and HSA vendors, and a retirement recordkeeper, the variance is the entire operational problem. Every client-to-carrier pairing s its own contract about how data will be shaped.

> *PEOs that treat feeds as an infrastructure function with monitoring and clear ownership run into the same carrier quirks as everyone else. They just find out about them in days instead of quarters.*

WHERE FEEDS BREAK

In practice, failures cluster in a few places, and none of them are the standard itself.

Enrollments that never arrive. The most common cause is not a missing file, but an incomplete one that goes unnoticed. Carriers return acknowledgments (997, 999, and proprietary error reports) that list the records they could not process. If nobody owns the acknowledgment, the sender sees a successful transmission and the carrier sees fewer members than the sender believes it sent. The discrepancy stays invisible until an employee tries to use coverage.

Terminations that never clear. Termination records are more sensitive to date logic than enrollments, and they fail more quietly. A separated employee stays active in the carrier's system, the PEO keeps getting billed, and the overpayment surfaces months later during a reconciliation. Recovering premium retroactively from a carrier is possible but rarely pleasant. A paper trail to prove what was sent and when is nothing short of critical.

Deduction files that do not match the enrollment. The 834 tells the carrier who is covered. Payroll deductions tell the employee what they paid. When those two records drift, and they drift most often after a mid-year plan change or a rate update, the result is an employee who was billed for a plan they were not enrolled in. In a PEO relationship, the client's HR contact hears about it first and the PEO's service team absorbs the escalation.

Open enrollment volume. Feeds that behave for eleven months of the year fail in the twelfth. Volume goes up by an order of magnitude, plan structures change, new carriers come on, and the timeline compresses. Implementation

McHenryConsulting

MAKE MORE.
KEEP MORE.

Backed by Data.
Validated by our Clients.

MERGERS AND ACQUISITONS

BUSINESS ADVISORY

PROFITABILITY IMPROVEMENT

PEO RECRUITING

TECHNOLOGY, API, AI DEVELOPMENT

CLIENT RETENTION MANAGEMENT

Lets Talk
Matt Claus: 678-793-6693
Dan McHenry: 813-363-2270
www.mchenryconsulting.net

OVER 200 YEARS OF COMBINED PEO EXPERIENCE

windows for new carrier connections commonly run eight to twelve weeks when the process is orderly, and considerably longer when discovery starts late. A November request for a January effective date is not a schedule, it is a hope.

Discrepancy chaos. When carriers send discrepancy reports, the first objective is determining why the carrier's records don't match the HRIS. The cause could sit in the carrier's system, in the mapping logic between them, or in the HRIS. Some discrepancies are legitimate. A member who terms abruptly still shows as active in the carrier's system: nothing is wrong, but a discrepancy results anyway. Others are trivial, like a missing SSN someone simply needs to fill in. The fixes are rarely hard. Identifying them is. Without line of sight into all three systems (carrier, middleware, HRIS), teams can't tell who needs to do what, so they fall back on back-and-forth email to resolve what should have been a simple termination.

THE QUESTIONS WORTH ASKING ABOUT YOUR OWN OPERATION

None of this argues against automation. It argues that automation without instrumentation just moves errors somewhere you cannot see them. A few questions tend to surface how exposed a book of business actually is.

Who reads the acknowledgments, and how quickly? If the answer is a shared inbox that gets checked when something goes wrong, rejections are being discovered by employees rather than by staff and that's assuming they're discovered at all.

How would you know a feed stopped running? Silent failure is common. A scheduled job that dies produces no file and no alarm, and a weekly cadence means the gap can reach two weeks before anyone notices. Some carriers are ahead of the curve here in that they send out automated notices if a weekly file did not land. However, that's the exception, not the rule.

Can you reconcile carrier eligibility against your own census on demand? Periodic reconciliation catches the drift that transaction-level monitoring misses. Quarterly is a reasonable floor. Monthly is better in a growing book.



How would you know a feed stopped running? Silent failure is common. A scheduled job that dies produces no file and no alarm, and a weekly cadence means the gap can reach two weeks before anyone notices.

Who owns the carrier relationship when a feed is wrong? Carrier EDI teams, broker service teams, HRIS vendors, and internal operations all touch the same file. Ambiguous ownership is why issues sit for weeks. Critically, the parties involved rarely have the line of sight across all systems that resolving these issues requires. A partner that sits in the middle and owns the transmission of data from one end to the other is a huge leg up on this front.

What happens during a client's mid-year carrier change? Adding a carrier is a project. Replacing one mid-year, with retroactive effective dates and a partial plan year, is a different and harder project. Knowing your standard timeline for both is worth more than knowing your average one.

PROCESS, NOT FILE FORMAT

The value in the 834 is that it exists at all. Before it, every carrier connection was a bespoke negotiation about layout, and there was no baseline to build on. That is a real accomplishment and it is why automated eligibility exchange is possible.

The remaining work is operational. It lives in the discipline around the file: validating data before it goes out rather than after a carrier rejects it, reading what comes back, reconciling on a schedule, and assigning a person to own each connection end to end. PEOs that treat feeds as an infrastructure function with monitoring and clear ownership run into the same carrier quirks as everyone else. They just find out about them in days instead of quarters.

The employee whose spouse was not covered does not care which system dropped the record. They care that the coverage they enrolled in was not there. Getting that right is less about the standard than about what happens in the two weeks after the file is sent. ■



TYLER PRIEST

President & Co-founder
Benefit Cloud
Temecula, CA

AI IN HR: WHERE IT'S HEADED AND WHAT PEOS SHOULD KNOW

BY CARY GRIGG

Every HR department has always had the potential for a lazy corner. The annual reviews that get written the night before they're due, the copy and paste roll-forward of comments with numbers updated for the current year. The candidate screening process where resumes aren't read past the key word matches. The HR policy questions that get answered with a 'let me find out' and the follow-through never happens. That corner of HR has always existed. AI didn't invent the corner, but it did provide a better hiding spot.

AI tools have made it possible to be better at the judgement heavy work of HR as well as mask the appearance of effort without the mental investment. PEOs need a way to figure out how to tell these apart, not only for their own operations, but their clients as well. PEOs' risk lies in the appearance of thought without the underlying effort. There are two very different things happening under the cover of AI in HR and they can look the same from the sidelines.

When humans use AI to supercharge their judgement-heavy work, efficiencies can be gained. Writing an email starts with a draft that a person then edits with the context and nuance of the specific situation. A manager uses AI to draft meeting minutes and reviews and corrects facts and context as well as adding details that occurred outside the meeting that the AI tool does not know about. This is using AI to jumpstart the judgement work.

When humans abdicate their responsibilities, it can look like not reviewing candidate resumes screened by AI unless there's a complaint. It can take the form of performance reviews passed along from person to person with no real review. It can look like a chatbot that removes the responsibility of HR to know the policies. It looks like dozens of ghost jobs posted to recruiting websites to give the appearance of a healthy business to potential investors. These are the kinds of scenarios that PEOs should be concerned about and almost nobody is writing about them. It looks like progress and efficiency, until it isn't.

There's a lot of coverage regarding bias in AI hiring decisions. While that's a real concern, the underlying assumption is that there's an accountable human in the loop and often the AI solutions on offer are marketed and sold on the premise that with AI a less skilled human can do the process or may not even be needed at all.

The risk exposure to PEOs is that bad habits can lead to real exposure. Recent and pending legislation assumes the there's a human in the loop. When an organization's hiring process is abdicated and hollowed out, there's nothing to back up decisions and no leg to stand on. The EEOC has already signaled that fairness requirements do not disappear just because AI was involved. The organization is still responsible for the decisions and outcomes.

> *The challenge for PEOs isn't in evaluating technology, it's in the role of what will the human still do after the technology has done its part.*

Given the stakes the following are some litmus tests for identifying legitimate AI use:

1. Can the person responsible for the system explain the decisions the AI made, not just what the tool did, but why it did it?

2. Did the process get faster or just lighter? Reduced human involvement after AI is a giveaway for abdication.

3. If personnel had to explain AI's decisions to a candidate face-to-face, would they feel comfortable backing it up?

If any of these cause discomfort, there's a good chance the AI is abdication disguised as efficiency. The compliance checklist will look the same all the way up until there's a problem.

The challenge for PEOs isn't in evaluating technology, it's in the role of what will the human still do after the technology has done its part. When we remove the human in the loop, we remove the main reason the process is defensible.

That said, evaluating technology is still important. What data was it trained on? What bias testing has it undergone? What kind of chain of thought support is available upon demand? Additionally, informing candidates where AI is used in your hiring process is just as important as laying out for them what constitutes legitimate and off-limits uses of AI on their side.

Asking good questions both before adopting AI and after it's running in your environment can help manage the risk of the lazy corner quietly growing. AI can be responsibly used in HR, but must support the human side, not replace it. ■



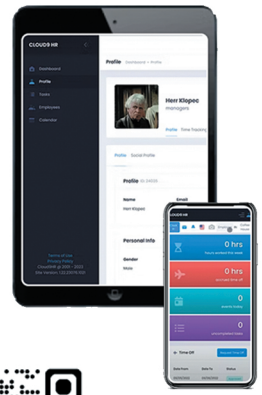
CARY GRIGG

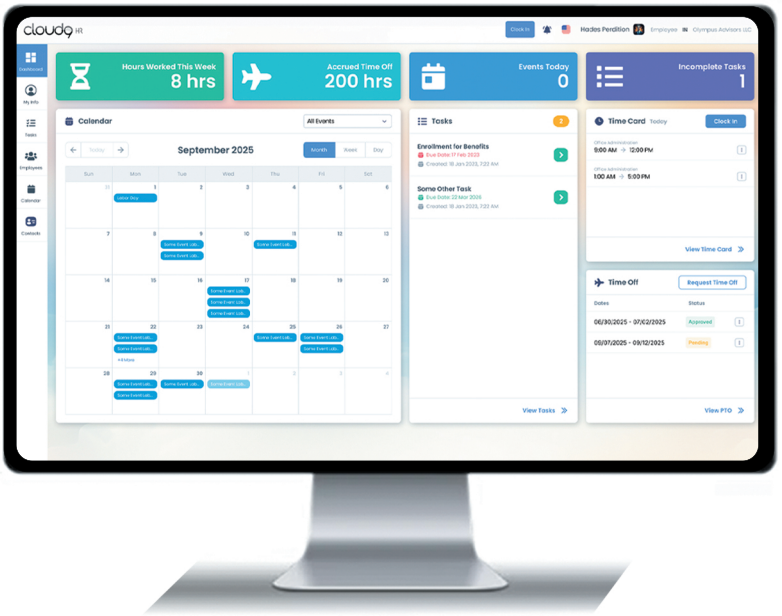
Director, Technology Innovation
UHY Consulting
Atlanta, GA

cloud9 HR.com

PEO/ASO SOFTWARE

NAPEO'S MEDALLION PROGRAM NAPEO





POWER YOUR PEO

FROM DATA OVERLOAD TO ACTION: TURNING WORKFORCE DATA INTO BETTER DECISIONS

BY GABRIEL CUELLAR

There is no want for data for today's employers. They have access to enormous amounts of workforce information, including payroll, benefits, turnover, hiring, attendance, workers' compensation, employee engagement, time and labor, and more. But there is a difference between an onslaught of data and being able to use it.

Often, the challenge is that data lives in disconnected systems; different platforms define or organize information differently; leaders don't know which metrics matter; raw numbers don't necessarily explain why something is happening; and business leaders may look at reports without seeing the underlying trends.

More workforce data is not a competitive advantage. Accurate, connected, understandable and actionable data is the secret weapon.

PEOS ARE AT THE INTERSECTION OF WORKFORCE DATA

PEOs are uniquely positioned to help employers manage the workforce data they must track. PEOs already interact with various aspects of an employer's workforce, from payroll and benefits to recruitment and employee retention. This view into an organization allows PEOs to connect the dots in ways that may not be obvious to the employer, who is looking at even more organizational data.

PEOs add value by interpreting the data and translating what it means for the business. For example, an employer can look at payroll data, turnover data, benefits data and workers' compensation data. Viewed separately, it tells a limited story. When you connect the verticals, patterns may emerge that management should address.

CLEAN DATA IS PARAMOUNT

One of the biggest challenges for businesses is data quality. Quality insights are not built on bad data. Data challenges stem from a host of problems. Duplicate records, inconsistent employee classifications, outdated information or reliance

on manual data entry can cause these issues. Reporting periods may even differ.

Clean data does not mean the data needs to be perfect to provide useful insights. However, it does need to be sufficiently accurate, consistent and organized. When this occurs, business leaders can use the information to make targeted business decisions.

This is where the right PEO makes a world of difference. Knowing what information or data matters to the business helps determine the best-fit PEO. The technology PEOs employ can streamline data collection and make backend HR processes and thus the data they provide, more coherent.

Good data shifts the conversation from "What does this report say?" to "What should we do about it?"

MOVING FROM METRICS TO INSIGHTS

Once you have a system to mine clear data, you need to act. Encouraging business leaders to answer a few key questions can move the conversation away from metrics alone, which no one knows what to do with, to matters that will move the needle for the organization.

Questions may include the following examples.

Why are employees leaving?
A turnover rate matters, but PEOs can analyze turnover by department, location, compensation, position, manager and benefits participation. When looking at a clearer, more interconnected picture, patterns may come to the surface worth investigating.

Are benefits delivering value?
There is the potential for benefits data to be examined in concert with participation, employee demographics, retention and other measures. Looking at a fuller picture can easily inform benefit offerings that may or may not work, instead of basing decisions on cost alone.

> *PEOs are uniquely positioned to help employers manage the workforce data they must track. PEOs add value by interpreting the data and translating what it means for the business.*

Where are workforce costs increasing?
Costs exist for employees at every level and in every transitional area. Data can help spot trends as it relates to payroll, overtime, hiring, workers' compensation and other workforce costs.

Where are the operational risks?
Alone, issues like absenteeism, workplace incidents and compliance challenges are worrisome, but when they are analyzed together, they may point to a bigger problem worthy of attention.

PEOS SHOW VALUE BEYOND THE TECH SOLUTION

A dashboard detailing turnover rates does not tell the entire story. Data strongly drives many PEO solutions; however, insights come with expertise.

A PEO with people who know how to interpret the data can help employers move from data overload to leaders armed with information, insights and an action plan. When PEOs bring together technology, HR expertise, data interpretation, compliance understanding and how it fits within client operations, they are valued partners.

In short, the PEO provider's technology is a support tool, not a human replacement that can discern nuance.

THE ENVIRONMENT MATTERS

PEO brokers know every business has a specialized fit. Businesses vary dramatically, and the HR challenges they face are incredibly varied in size, workforce structure and HR complexity. Having access to a curated ecosystem of trusted PEO providers, technology and business solutions gives brokers the flexibility to find the best fit for each client's needs.

Brokers can create the right environment or ecosystem to fit client needs because one technology platform likely won't do everything. It boils down to what works best together.

ASK GREAT QUESTIONS, NOT COLLECT MORE DATA

Another dashboard for business leaders to interpret is not the answer. It is consulting with these leaders and encouraging them to ask better questions. Where are we losing employees? Why? Which workforce investments produce results? Where are the forthcoming risks?

Workforce data isn't about numbers; it is about the people behind the numbers. The rubber meets the road when leaders can make clear decisions based on data-driven insights that create a better workplace and a healthier organization. ■



GABRIEL CUELLAR
Chief Operating Officer
BestFit PEO Solutions
Houston, TX

AI IN PEO: MAPPING AN OPERATIONAL CHAIN

BY JAKE ROSENTHAL

Most PEOs have already put AI in front of staff: a chatbot answering benefits questions, a drafting assistant for handbooks, maybe a compliance lookup tool. Fewer have moved past that first layer into workflows that actually compound.

Gartner's October 2025 research found that 88% of HR leaders have not yet realized significant business value from their AI investments. That matches what we hear working with PEOs directly: they tried a chatbot, got modest value, and stalled. The tools that move the needle further look different.

UNDERSTANDING THE ADOPTION CURVE

AI tools for a PEO fall along a spectrum, not a hierarchy of good versus bad options.

Chat. Someone asks a question, the system answers. A smart place to start. A benefits chatbot answering "what's my deductible" is low risk and immediately useful.

Workflows. A defined sequence that triggers on a condition: if X happens, do Y. Done well, it handles structured, repeatable work. The failure mode isn't workflows themselves, it's building that logic too rigidly. One hard-coded for a single file format breaks the moment a census file shows up as a scanned PDF from one client and a spreadsheet from another.

Agents. Systems that read context across unstructured, variable inputs and carry a task through several steps to an output. A census intake agent might get a scanned PDF from one client and a spreadsheet from another, decide how to read each, and flag a missing date of birth instead of guessing. That judgment call is where harder problems get solved.

None of these are inherently superior. The mistake is matching the wrong one to the problem: chat where judgment is needed, or a rigid workflow where flexibility was the point.

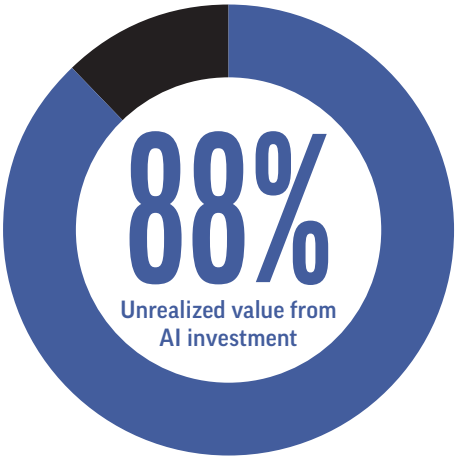
WHERE TO AIM: BUILDING A SYSTEM AROUND ONBOARDING

There are legitimate use cases across all three categories, from policy chatbots that cut routine tickets off an HR generalist's desk to fully agentic onboarding steps.

But the important part isn't which category you start in. It's finding use cases that work together as a system, not isolated tools solving one narrow problem. For most PEOs, that system shows up most clearly during client onboarding, when an entire workforce moves off its prior benefits and onto the PEO's master plans on a tight timeline.

A clear example of this is the onboarding chain:

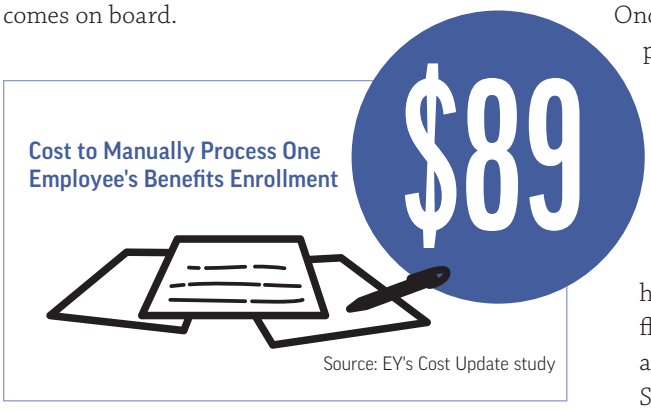
- Census normalization reads a new client's existing employee files, whether a scanned PDF, a photo, or a spreadsheet from their prior provider, and structures the fields into a single schema the PEO's system can use.
- Plan comparison lines up the client's prior plans against the PEO's master plan options, using that same clean data, so the client can see what's changing.
- Contribution modeling tests contribution strategies under the new plan structure and shows the cost impact of each before the client commits.



The PEOs getting real value from AI aren't the ones with the most tools. They're the ones who mapped a real operational chain.

Census sits at the front because every step after it depends on that data being accurate. Clean it once and it stays clean through the chain; get it wrong and the error copies downstream. That's why census is such a common entry point: not mandatory, but a fix at this stage compounds, especially on a tight onboarding timeline.

The same logic holds beyond benefits, in the same onboarding window. Workers' comp census automation applies it to class codes and payroll data. SUI/SUTA obligation review flags which states require registration as a new workforce comes on board.



EY's Cost Update study put the cost of manually processing one employee's benefits enrollment at $89, including data entry, corrections and follow-up. That cost multiplies fast when an entire workforce onboards at once, which is exactly when clean data upfront matters most.

HOW TO ACTUALLY GET THERE

The path to a working system starts with a pilot: one well-scoped workflow tested with a small group before rolling out broadly.

Scope a real pilot. Pick one well-defined workflow with high volume and clear pain, like census normalization, not a vague mandate to "use more AI."

Choose champions carefully. Pick users who give honest feedback, not staff who'll say it's fine.

Design around existing habits. An agent monitoring a shared inbox and answering routine questions beats moving a team into a new interface.

Think in systems from the start. Once the first workflow proves out, expand into the next connected step instead of an unrelated pilot elsewhere.

Frame the first version honestly. A pilot that handles most cases and flags the rest for review is a success, not a shortfall. Say so up front.

WHAT TO WATCH OUT FOR

A few risks come up often enough in this space to check before, not after, a workflow goes live.

Data privacy. PEOs handle Social Security numbers, health data and payroll records across hundreds of unrelated clients under one co-employment structure. Look for SOC 2 Type II, HIPAA compliance with a signed BAA, no model training on your data, and clear retention terms.

Hallucinations and over-automation. Both come down to the same fix: cited sources, an audit trail, and human review built into the workflow, not bolted on afterward. An AI tool that confidently states the wrong FMLA deadline is a liability, and cutting the review step because it's usually right is a real trap. That risk compounds for a PEO, since compliance shifts by client and by state, so a tool right for one worksite employee can be wrong for another.

Platform scalability. New client onboarding can spike volume dramatically when several clients start on the same effective date. The fix isn't testing your own workflow harder, it's choosing a platform built to scale with that load.

THE TAKEAWAY

We've walked enough PEOs through this shift to see the pattern clearly: the ones getting real value from AI aren't the ones with the most tools. They're the ones who mapped a real operational chain, started with one connected piece of it, and built out from there with a human positioned at every point where judgment matters. ■



JAKE ROSENTHAL
Head of Product
Cassidy
New York, NY

WHAT PEOS ARE GETTING RIGHT AND WRONG ABOUT AI

BY RONDA MCCULLOUGH

AI is everywhere. It can write an email. Summarize a meeting. Research a prospect. Create content. Analyze information. Help prepare for a sales conversation. For PEOs, the possibilities are significant.

But simply using AI and using it strategically are two very different things. At LeadG2, we recently took a closer look at PEO responses from our *Revenue Enablement in the AI Era* research. We wanted to understand how PEO organizations are using AI, where it is helping, and where some of the biggest opportunities may still exist.

One finding immediately stood out. Ninety percent of PEO respondents cited a lack of training and internal expertise as their number-one barrier to AI adoption. The technology may be moving quickly. But for many PEOs, the bigger challenge is figuring out how to put it to work in the right places.

EFFICIENCY IS A GOOD PLACE TO START

PEOs are already finding practical uses for AI. One of the most common applications among respondents was automating content and follow-up emails. That makes sense. These repetitive tasks take time, and AI can help sales and marketing teams work more efficiently. But efficiency is only part of the opportunity.

Our research found that 60 percent of PEO respondents identified demonstrating ROI and value to decision-makers as a top sales challenge. Half cited differentiating from competitors or brokers, and half pointed to navigating long sales cycles and multiple stakeholders. Yet creating personalized proposals or ROI models was among the least common ways respondents were using AI.

> *The next investment in AI may not need to be another tool. It may be training.*

That's an interesting disconnect. PEOs are using AI to make some of the easier work faster while one of their hardest sales challenges remains largely untouched.

You can't wrap the world in bubble wrap to avoid risk, but you can feel confident and ensure your employees are safe with the right insurance company. Wrap yourself in calming energy with some of the best people in the business. Contact us today to feel the Power of SUNZ!

SUNZ
INSURANCE
Positive Energy in a Risky World.

941.306.3077 | SUNZinsurance.com

THE BIGGER OPPORTUNITY MAY BE FURTHER DOWN THE FUNNEL

A PEO sale can involve an HR leader, CFO, and business owner, and each may look at the decision differently. AI can help sellers prepare for these conversations, organize and analyze account information, personalize messaging, and build stronger value narratives for individual decision-makers.

But AI should support expertise, not replace it. In our research, personalized pitch decks and HR thought leadership ranked among the most effective content for winning new PEO clients, followed by industry case studies.

Buyers still value expertise, credibility, and information relevant to their specific situation. AI can help PEO teams deliver that expertise more efficiently and personally, but the expertise still has to be there.

ALIGNMENT COMES BEFORE AUTOMATION

Technology alone won't solve an alignment problem. Eighty percent of PEO respondents said sales and marketing were only partially aligned on ideal customer profile definitions and messaging. Only one in 10 reported being fully aligned.

Consider what happens when AI is added to that environment. If marketing has one definition of the ideal customer and sales has another, AI doesn't fix the disagreement. If teams aren't aligned on the problems they solve or the value they provide, AI doesn't create that strategy for them. It may simply help everyone produce more inconsistent messages, faster.

Before automating more, PEOs should get clear on the fundamentals: Who are our best prospects? What matters most to them? What problems are we uniquely equipped to solve? How should that story be communicated throughout the buyer's journey?



Without reliable data, it becomes harder to maintain visibility into those relationships and limits what AI can effectively do.

GOOD AI NEEDS GOOD DATA

AI depends on the information behind it. Only two in 10 PEO respondents reported having a CRM in their revenue enablement stack. None said they were very confident in the accuracy of their CRM or AI data. That matters.

PEO sales can involve long buying cycles, multiple contacts, and significant account history. Without reliable data, it becomes harder to maintain visibility into those relationships and limits what AI can effectively do. Lead scoring, account-based targeting, renewal forecasting, and other advanced AI applications depend on useful information.

Before investing in the next AI tool, ask a more basic question: Do we trust the data we're giving it?

DON'T FORGET THE PEOPLE

One of the most important findings comes back to the people using the technology. Sixty percent of PEO respondents said they are still in the early exploration stage with AI. Only one in 10 said AI is deeply integrated into daily workflows. And 90 percent pointed to a lack of training and internal expertise as the biggest barrier to adoption.

The next investment in AI may not need to be another tool. It may be training. It may be establishing clear guidelines for how AI should be used. It may be helping employees identify where AI can make their work better and where human judgment still matters most. Technology becomes more valuable when people know what to do with it.

START WITH THE PROBLEM, NOT THE AI

There will always be another AI tool to consider. The goal doesn't have to be adopting all of them. Instead, PEO leaders can start with the business problem.

Where are sellers getting stuck? Where are prospects struggling to see value? Where are teams spending time on repetitive work? Where could better information help someone make a stronger decision? Then ask whether AI can help.

The PEOs that get the most value from AI may not be the ones using the most technology. They may be the ones most intentional about where they use it, give their teams the training to use it well, and have the data and alignment needed to support it.

The question isn't simply, "Are we using AI?" A better question may be: "Are we using AI to solve the right problems?" ■

About the research. The PEO findings in this article are based on additional analysis of PEO industry participants in LeadG2's 2025 Revenue Enablement in the AI Era survey, which included 154 total respondents. Because the PEO findings represent a subset of the larger study, they are best viewed as directional insights and conversation starters rather than definitive industry benchmarks.

Reference: AI REPORT: https://leadg2.thecenterforsalesstrategy.com/report-revenue-enablement-in-the-ai-era



RONDA MCCULLOUGH

Business Development Executive
LeadG2
Las Vegas, NV

AD INDEX

Ameritas 11
Cloud9HR 45
Enterprise HR 40
Guardian Life Insurance Company 36
isolved 39
McHenry Consulting 42
PayPlus Software, Inc. 33
PEO Velocity by Compass/PRM 9
Poster Guard Plus 56
PrismHR 6
PRO Software, LLC 29
Slavic401k ..... 2&3
SUNZ Insurance Company 51
ThinkWare Corporation 55

Boldface type indicates NAPEO Medallion Partner

IT'S TIME TO RENEW YOUR PEO MEMBERSHIP

We look forward to continuing to serve you and your staff through NAPEO membership in 2027. To avoid disruption in your member services, please complete your membership renewal and submit your membership dues to NAPEO before **December 31**.

Why should you renew?

Many of our members find the below invaluable to their membership experience:

- Timely updates on regulatory and legislative developments
- Access to the regulatory database at your fingertips
- Industry financial ratios and PEO operating statistics
- Invaluable networking opportunities with fellow PEO members

Why members renew

"Being a NAPEO member is like tapping into a treasure trove of knowledge and opportunities every single day. From the invaluable insights and resources to the inspiring community of professionals, NAPEO has been a compass in navigating the ever-evolving landscape of the PEO industry. NAPEO isn't just an acronym; it's a badge of pride, a commitment to continuous growth, and a testament to my dedication to this incredible industry."

Remind your organization's main or billing contact to renew today!

Only your organization's main or billing contact is allowed to renew membership. Give them a gentle reminder to renew soon so you don't experience a lapse in membership!

If you require assistance, please contact us at **membership@napeo.org**.

NAPEO®

THE VALUE OF BELONGING

BY CASEY M. CLARK

In February, I wrote that while we had enjoyed a lot of recent success, we remained committed to moving the chains forward. With your continued support, we've delivered on that promise.

As NAPEO's 2027 membership renewal period opens this month, it's a good time to take stock of our progress and consider the value of belonging to an association dedicated to strengthening your businesses and the PEO industry.

Research shows that trade association membership can deliver significant business value, from stronger financial performance and risk management to greater credibility and innovation. These aren't simply abstract benefits, they are a true measure of the return on your investment in NAPEO.

NAPEO's sustained engagement with the IRS has resulted in regular meetings with officials who oversee ERTC processing. These meetings create an opportunity to share your concerns directly with policymakers. The backlog of ERTC claims has dwindled, however, we remain focused on resolving all outstanding issues. Importantly, we continue to advance H.R. 3223 to ensure that administering future payroll tax credits will not cause the same problems to resurface.

We've also strengthened relationships with Department of Labor officials responsible for Form 5500 reporting, and produced a Congressional casework guide so you can seek assistance directly from your Member of Congress on matters impacting your business.

Across state capitals, we prevented harmful legislation from passing in Illinois, Kansas and Louisiana and prevented an abrupt unemployment insurance reporting change in Ohio. After years of advocacy, the New Mexico Superintendent of Insurance is aligned with NAPEO's position that PEO-sponsored health plans are not MEWAs. We also secured PEO-specific provisions in Washington and New York's state auto-IRA programs.

These efforts help protect your businesses from unfavorable policies, reduce regulatory uncertainty and create an environment where PEOs can thrive. These successes would be difficult for any individual business to pull off on their own, which is the entire purpose of an industry association: we can do a lot more together than we can apart.

We've also invested significantly in strengthening our industry's credibility and visibility. Our new research released in September found that PEOs now support 5.4 million American workers. We're putting those findings to work through a comprehensive industry narrative campaign and new advocacy resources that help members communicate the PEO value proposition to policymakers, business leaders and the media.

One of the greatest benefits of belonging to NAPEO is the community itself. The willingness of our members to share expertise, offer guidance and help one another succeed is something I've always admired about this industry. That collaboration makes individual companies stronger and our entire industry more resilient.

Your membership and active engagement are investments in all of this—in the advocacy that protects your business, the resources that help it grow, the relationships that strengthen it and the collective voice that advances our industry.

We've accomplished a great deal in 2026, but there's much more work ahead. As we prepare for new legislative sessions, a new Congress and the next phase of our strategic plan, we'll need all hands on deck to maintain our momentum.

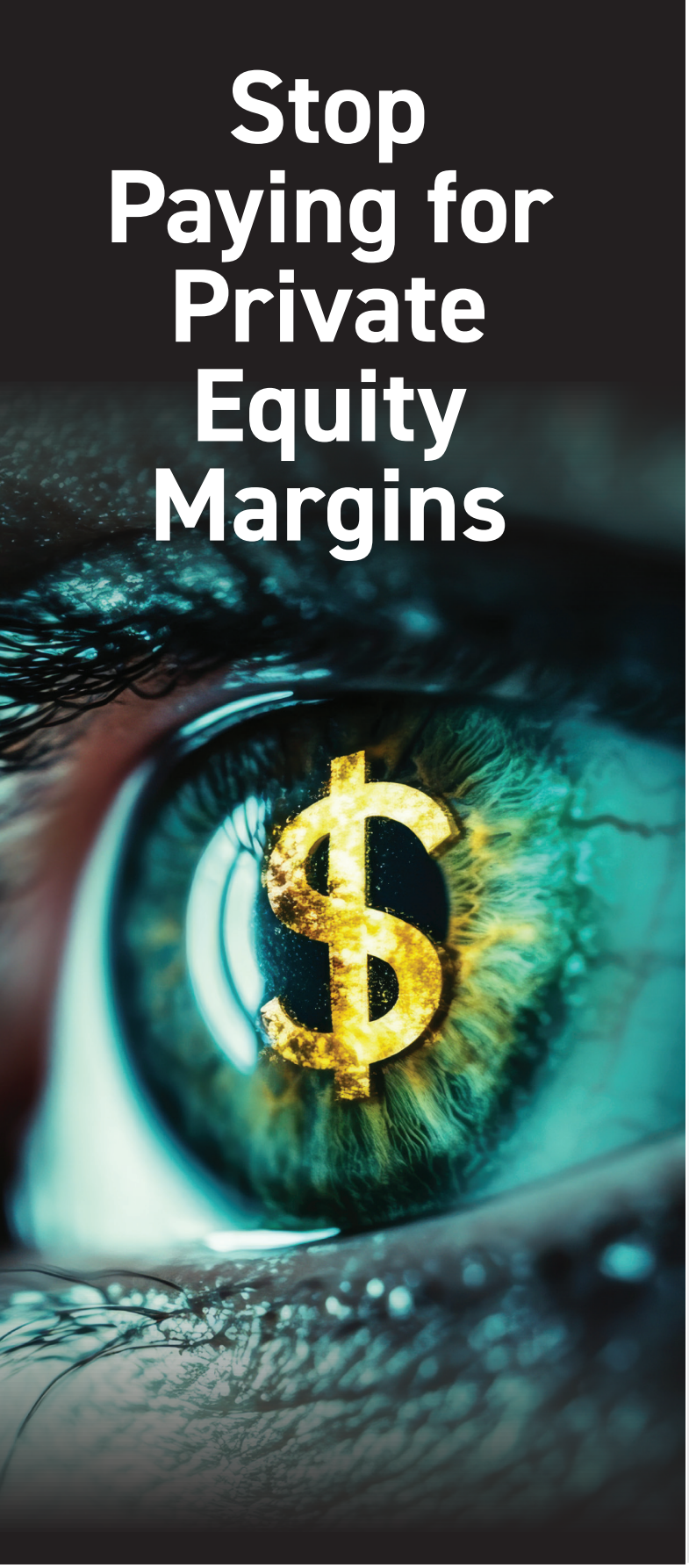
I hope you'll renew your NAPEO membership for 2027 and continue to be part of what we're building together. We've built tremendous momentum this year, and I truly believe we're just scratching the surface on what we can get done together.

Thank you for your continued support. ■



CASEY M. CLARK
President & CEO
NAPEO
Alexandria, VA

Stop Paying for Private Equity Margins



Better Software, Better Price

cohesion

Payroll

Billing

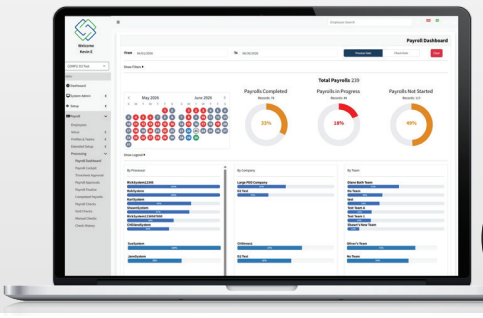
Benefits Administration

Human Capital Management

Financial Management

Custom Reporting

Native Mobile

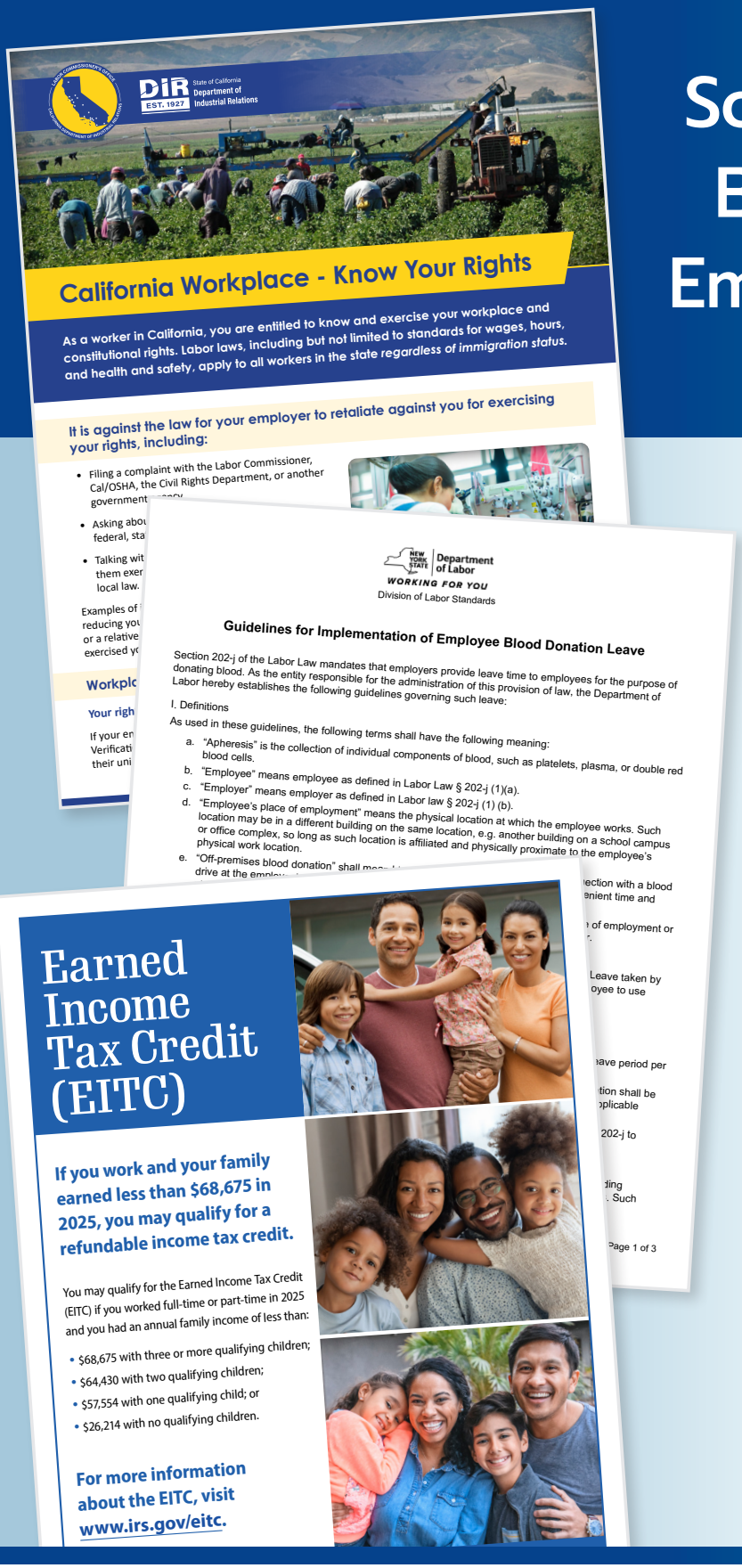


NAPEO® MEDALLION PROGRAM PARTNERSHIP

THINKWARE

We are the only PEO platform not owned by private equity. That means no artificial markups, no squeezed margins—just better software at a price that makes sense.

www.thinkwareinc.com | 800-Y-THINK-Y



Some Notices Must Be Distributed to Employees Annually

Do your clients have easy access to required employee notices at the federal, state and local levels?

We've got you covered!

The same legal team that guarantees workplace posting compliance through ***Poster Guard*® Poster Compliance Service** offers a first-of-its-kind service to PEOs: **Mandatory Employee Handout Service**.

It provides unlimited access to required employee notices (including those mandated for triggering events) and instructions on when and how to distribute them.

To learn more, or request a FREE demo, call **954-970-5611.**

POSTER GUARD Plus™

NAPEO MEDALLION PROGRAM