

Switching from a PEO

Extracting your company from your PEO can be both a smart business decision and a daunting task. There is a lot to think about, so we've made this guide.

What does it take to move?

When your business first goes with a PEO, the outsourced HR model may be a great fit, but over time your needs may change and you'll look at other options. Below is some important stuff to consider when leaving a PEO. This is not Rippling specific and is relevant for any company considering a change.

Technology

- Seek out a platform that can offer an integrated system for HR, benefits administration and payroll
- Implement and configure a time & attendance module
- Verify your new vendor has a General Ledger (GL) integration file feed for your finance software.

Employee Benefits

- Obtain broker services and implement new medical, dental, vision, life & disability insurance plans.
- Make sure your new partner can help to manage COBRA and ACA administration.
- Establish a new vendor for FSA, HSA & Commuter benefits
- Enlist a new (EAP) Employee Assistance Program partner

COBRA

- Participants will have to go through open enrollment as well with active employees.
- If participants are left on the PEO's medical policies a monthly fee could be charged (it's high)

Payroll Taxes

- Re-establish SUTA IDs (if needed)
- Re-establish local withholding accounts (as needed)
- Understand FICA & FUTA tax restarts and the ease of leaving a CPEO (no double taxation)

COMPONENTS AN EMPLOYER WILL NEED TO SHOP

- HRIS technology platform
- Payroll
- Benefits Administration
- Employee benefits (medical, vision, dental, STD/LTD, life)
- Vendors for FSA & HSA
- 401(k)
- Employment practices liability insurance (EPLI)
- Time & Attendance
- Workers compensation
- HR support (if needed)

Insurance Coverages

- Groups may need to purchase a workers comp policy if this was provided by the PEO.
- Consider placing insurance with a carrier that offers a pay-as-you-go option
- If a group was dependent on the PEO to provide EPLI coverage a new policy will need to be purchased.

401(k)

- You will need to select a new 401K provider (if offered)
- You will need to roll over the plan's assets to your new provider
- It's in your best interest to partner with a provider that can support compliance testing and 5500 filings.

Human Resources & Compliance

- Obtain new I-9 forms for all current employees (leaving a PEO you are re-hiring your employees)
- Create a new Offer Letter template
- Establish processes and workflows for new hires including documentation
- Create an Employee Handbook to cover all states
- Have all employees acknowledge the new employee handbook
- Review sexual harassment prevention training
- Build out new PTO accrual policies and account for current balances

HOW RIPPLING CAN HELP

- Rippling EMP
- Rippling Payroll
- Rippling Benefits Administration
- Rippling Broker Services or "Bring Your Own Broker" for Employee benefits
- Rippling Flex Benefits FSA, HSA & Commuter

RIPPLING PARTNER NETWORK

- Integrated Time & Attendance with leading solutions
- Integrated 401(k) with modern and leading administrators
- AP Intego will broker pay-as-you-go Workers Compensation
- Premier access to HR360 compliance library and certified SHRM professionals

PEO Checklist

This is designed to be a checklist and guide. Please refer to your business consultants for execution.

Review your PEO contract

- Be sure to review the requirements, penalties, dates and costs of leaving the PEO.

Data Collection

You will need to collect data before ending your contract with the PEO. Employers should gather:

- Company gross to net for taxes, deductions, and earnings.
- Employee gross to net for taxes, deductions, and earnings (active and terminated)
- Compensation information
- Census – (name, address, SSN, marital status, dependents, birth date, gender)
- Live vs work state, if applicable.
- Copies of court orders, wage garnishments, and tax levies.
- Employee time off/accrual balances.
- List of all COBRA participants and those in their election period.
- FSA participant balances, if applicable.
- HRA participant balances, if applicable.
- YTD ACA tracking.
- Copies of performance evaluations.
- Copies of termination records.

Tax Accounts

- Obtain federal and state tax ID numbers
- Obtain federal and state withholding accounts
- Obtain State Unemployment Tax (SUTA) ID and tax deposit accounts. (in a PEO SUTA employer (pass-through) state? If in a PEO SUTA state, the SUTA will restart.)
- Obtain Federal Unemployment Tax Account (FUTA)

PEO Checklist

Benefits

Plan deductibles will reset with a new health and dental insurance. Consider the PEO's plan deductible and what cost employees may have already incurred. If the prior plan was a fully or partially self-funded, it may be a good idea to continue to pay administrative fees until all claims have been paid.

- Select carriers and benefits plan that work for the employee population
- Define the contribution scheme
- Define eligibility
- Check state laws regarding disability requirements

FSA | HRA Plans

- Communicate the transition as soon as possible to the employees to outline the spend-down period.
- Obtain an FSA | HRA balance report from the PEO if the change is occurring during the plan year or the new administrator will be paying run out claims

COBRA

PEOs may charge large fees to manage COBRA; refer to the contract for details. To avoid hefty costs, employers should have a benefit plan in place and request to be reimbursed for the PEO COBRA fees after 60-90 days.

- Send Initial Right Notices to employees electing new company benefits.
- Notify current COBRA participants of new COBRA administrator.

ACA (ALE only)

- Load year-to-date hours worked into the new ACA platform.
- Run the numbers and ensure affordability and participation requirements are being met.

ERISA

- Prepare and distribute new ERISA Wrap documents containing all language pertinent to a new benefits program. Include all required health care notices.
- Complete Form 5500 filing, if 100 or more participating in health and welfare plans at the beginning of the plan year.

PEO Checklist

Business Insurance Plans

- Establish a Workers Compensation policy
- Obtain an Employment Practices Liability Insurance policy (EPLI)

401k

Employees will experience a blackout period where they can't make changes. Employers may also face some termination fees.

- Identify a fiduciary
- Select funds

Payroll Setup

If the PEO is certified, employers won't have to restart wage bases (FICA/FUTA) and Social Security/Medicare will not reset. If it is not a cPEO, the employer may want to consider a 1/1 effective date when the wage base resets for these taxes.

- Set up court-ordered deductions, wage garnishments, and tax levies.
- Set up deductions
- Set up pay types
- Set up pay schedule
- Configure general ledger integration

Implementing HR Policies & Administration

- Create an employee handbook and have it reviewed by legal counsel. Complete this before the PEO relationship is terminated and the paperwork is ready to go.
- Have all plan documents written and reviewed, ERISA Wrap, health notices, exchange notices, etc.
- Establish a compliant Leave of Absence policy. Refer to state laws.
- Establish a compliant HIPAA policy.
- Define the process for FMLA administration, if applicable.
- Determine if the company needs to adhere to an affirmative action plan, if applicable.
- Design company structure with departments, divisions, classes, etc.