PEO exit strategy

Is it time for your organization to part with its PEO? You can ensure a smooth transition by creating an exit strategy that considers the following areas.

Payroll

- Find a new payroll provider and work with them to create a transition plan to ensure there are no service interruptions.
- Request records of court orders, wage garnishments and tax levies currently in effect for employees from the PEO.
- Plan training on the new system and identify new duties required of field supervisors.
- Involve IT administrators to ensure a smooth transition with internal technology systems.
- Verify the accuracy of all time-off accrual formulas and transfer all current balances to your new system.
- Request written confirmation from the PEO on their safe keeping of identity information related to payroll moving forward.
- Make sure you have payroll deduction/reduction forms for all sums that will be withheld from employees' payroll.
- Run a parallel payroll with new and old providers to assure accuracy.

Taxes

- Ensure you have federal and state withholding accounts and unemployment tax deposit accounts.
- Remember that mid-year changes affect employees' taxable income status.
- If you terminate mid-year, your PEO will need to complete final taxes up to the termination date.
- Note that employees will be considered new hires and will receive two W2s.

Learn more

If you are considering exiting a PEO, contact one of our Employee Health & Benefits consultants to make a smooth transition.

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Employee benefits

- Work with an employee benefits broker to establish employee benefit plans and define contribution structure and eligibility.
- Review state laws regarding disability requirements.
- Determine if your PEO was fully or partially insured to make sure all claims are paid.
- Establish a retirement plan and transfer employee funds to the new plan.
- Note that employees may transfer their PEO 401(k) to an individual IRA if rules permit, and later may move the plan to your new 401(k).

Business insurance

- Plan your termination carefully to ensure there is no lapse in coverage.
- Work with a business insurance broker to establish workers' compensation plans.
- Load worker compensation class codes and rates into payroll and identify any officers that will be exempt from coverage.
- Obtain an employment practices liability insurance policy.

Compliance

- Identify new resources for staying up to date on new employment regulations.
- Review ACA requirements for plan design, tracking, penalty avoidance, administration and annual IRS processing.
- Confirm if your PEO will be responsible for maintaining COBRA for qualified individuals prior to your termination.

HR policies and administration

- Create and distribute an employee handbook.
- Check the PEO policies to maintain consistency and be aware of leave policies.
- Create new processes for candidate tracking, resume collection, interviewing and other recruiting activities formerly performed by the PEO.
- Establish a workflow for onboarding and training programs.

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