

## 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.

[MarshMMAMidwest.com](https://www.marshmma.com)

## 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.



A business of Marsh McLennan

# Your future is limitless.<sup>SM</sup>

---

Business Insurance

Employee Health & Benefits

Private Client Services

Retirement Services

[MarshMMAMidwest.com](https://www.marshmmamidwest.com)

---

This document is not intended to be taken as advice regarding any individual situation and should not be relied upon as such. Marsh & McLennan Agency LLC shall have no obligation to update this publication and shall have no liability to you or any other party arising out of this publication or any matter contained herein. Any statements concerning actuarial, tax, accounting or legal matters are based solely on our experience as consultants and are not to be relied upon as actuarial, accounting, tax or legal advice, for which you should consult your own professional advisors. Any modeling analytics or projections are subject to inherent uncertainty and the analysis could be materially affected if any underlying assumptions, conditions, information or factors are inaccurate or incomplete or should change. d/b/a in California as Marsh & McLennan Insurance Agency LLC; CA Insurance Lic: 0H18131. Copyright © 2023 Marsh & McLennan Agency LLC. All rights reserved. MarshMMA.com