Introduction to the Professional Employer Organization Solution

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Agenda
• Welcome and Introduction
• Professional Employer Organization Overview
• The PEO Advantage
• The Human Resources Value Chain
• Strategic Benefits of PEO Services
• Financial Review
• Questions and Answers

Mike Marino
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PEO Overview

- Professional Employer Organization
- Began in the early 1980s
- Concept of creating purchasing power for small businesses
- Scale economies for small businesses seeking to streamline employment-related functions
- Currently 1,000 PEOs with 8 publicly traded
- 25% annual growth rate
- Approximately 3 million employees currently with PEOs
- Estimated that 50% of the workforce will be on a PEO by 2020

We Help Companies...

- Save Time
- so they can get back to business.
- Win
- the battle for top talent.
- Motivate
- their workforce to greater levels of performance and productivity.
- Stabilize
- their labor costs and ensure regulatory compliance.

Traditional Business Model

The traditional employer model requires the employer to manage multiple vendor relationships

- Fragmented Solutions
- Increased Administration Burden
- Cost/Expense Visibility
- Challenged Communication
- Overlapping Services
- Employer Absorbs Liability & Risks
The PEO co-employment model enables the client to work with a single-source provider.

- Average ADP's purchase power
- ADP administers
- Streamlines and reduces costs
- Improved services
- ADP assumes liability & risk

Why It Matters:

- The compliance burden on employers has increased sharply since 2008, with significant additional legislation forecast for 2010 and beyond.
- Compliance is costly, complex and time-consuming.
- Violations can overwhelm – even destroy – a business.

PEO Overview:
The Value of Co-Employment

Client - Produce goods and services; "direct and control" worksite employees

A co-employment relationship is one in which the client has control over the day to day activities of their business while the PEO becomes the Employer of Record for purposes of employee administration.

Outsourcing: A one-stop shop
- Provide full Human Resources management, control costs, comply with regulatory requirements
- W-2/Payroll
- Federal Income Tax
- State Unemployment Insurance (SUI)
- Workers' Compensation
- Benefits
How a PEO Fits into an Organization

Owner/President

Human Resources
Operations and Services
Finance and Accounting
Marketing and Sales
Purchasing

PEO

Human Resources Specialist
Payroll Specialist
Benefits Specialist
Safety and Risk Specialist

Corporate Support Staff

Criteria for Evaluating a PEO Provider

According to PricewaterhouseCoopers:

- **Financial Stability**
  - Is the company public?

- **Scope of Operation**
  - Is there a national service model?

- **Experience**
  - How long have they been in business?

- **Breadth of service**
  - Is there a broad range of services?

Breadth of Services: Look for Payroll and Tax Administration

- Web-enabled payroll suite of services
- Automated access to complete payroll management reports
- Customized reporting
- Direct deposit
- Tax filing services and multi-state reporting (941, 940, W-3 and W-2)
- Tax levies, garnishments and fines administration
- Payroll and wage/hour regulations compliance

**Business Impact**

- Reduce employment administration burden allowing more time to focus on your core business
- Improve operating efficiencies
Online Job Posting Services
Customized Job Descriptions
Online Candidate Assessments
Employee Background Checks and Drug Screening

Comprehensive Benefit Offerings
Professional Training and Development
New Hire Processing

Find talent - Online job postings provide cost effective solutions
Qualify and match candidates with the right opportunity
Reduce time per hire by promptly finding the right applicant
Set clear expectations and get the hiring results you want
Reduce employee turnover and drive profitability

Fully insured Workers’ Compensation coverage
Dedicated Loss Prevention Specialist
No deposits/no audits
Fraudulent claims investigation
OSHA compliance and training
Complete claims administration

Assist in implementing a proactive approach to loss prevention and safety
Aggressive return-to-work programs
Assist in implementing drug-free workplace program
Safety consultation and customized safety manuals

Eliminate administrative hassles of processing claims and seeking coverage
Experienced risk management specialist to assist in stabilizing cost and meeting your business objectives

Establish clear expectations enabling employees to work more efficiently and effectively toward company goals
Enhance employee productivity
**Business Impact**
- Motivate your workforce to greater levels of performance and productivity
- Employees value professional growth and development
- Reduce turnover
- Reduce employment-related liability

**Breadth of Service: Look for Training and Development**
- Comprehensive, professional classroom training for managers and associates
- Online training
- Seminars structured around the five main elements of the employee life cycle

**Business Impact**
- Pre-Employment & Hiring
- Employment Law Essentials
- Sensitivity Skills
- Workplace Violence
- Customer Satisfaction
- Professional Development

**Comprehensive, professional classroom training for managers and associates**

**Business Impact**
- Motivate your workforce to greater levels of performance and productivity
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**Breadth of Services: Look for a Focus on Legislative & Regulatory Compliance**
- $1,000,000 EPLI coverage
- Legal Defense Benefit
- Expert human resources consultation
- Compliance guidance with state and federal employment laws

**Business Impact**
- A comprehensive program of compliance management that minimizes liability and reduces compliance costs
- Panel of experts to manage through complex employment-related issues helping your business to remain in compliance

**Breadth of Service: Look for Benefits Programs and Administration**
- Fortune 500®-quality benefits plans
- HSA Accounts and HDHPs*
- Full benefits administration
- Employee Assistance Program (EAP)
- Flexible Spending Accounts

**Business Impact**
- Full suite of benefits plans providing flexibility and choice for you and your employees
- Win the battle for top talent, reduce turnover and drive profits
- Competitive long-term carrier relationships to effectively manage cost

*where applicable
### Full suite of Voluntary Benefits
- Term and Universal Life
- Family Income Life Insurance
- Disability Income Insurance
- Accidental Death and Dismemberment
- Critical Care and Cancer insurance
- Personal Accident & Disability
- Legal Service Plan
- Pet Insurance
- Auto Insurance

### Employee perks and discount programs
- Office Supplies
- Entertainment Discounts
- Child care discounts

### Business Impact
- Additional programs to strengthen retention capabilities
- Corporate benefits solutions for your business

### Turnkey 401(k) Plan with flexible design and plan options
- Online information and assistance
- Low employee fees
- Diverse investment and management options
- Brokerage Window
- Net Asset Value funds
- Daily valuation

### Business Impact
- Great tax planning, retention and recruitment tool
- One of the most attractive, cost effective 401(k) plans in the marketplace

### Dedicated Human Resources Professional to assist with termination process
- Recommendations to help minimize liability
- Guidance regarding progressive discipline

### Business Impact
- Minimize employment-related risk
- Protect assets through proactive and progressive actions
Who is a Fit for a PEO

Attractive Industries:
- Light Manufacturing Companies
- High Tech Companies
- Professional Offices
- White Collar
- Property Management
- Service Companies and more . . . !

Absolute Knockouts:
- Risky W/C Industries
- Bad Credit Rating (D&B)
- Poor Health Rates (Adverse Selection)
- New Business without proper financing

Experiencing Human Resources Pain . . .
- Rising Health Care Cost
- Employee complaints and/or lawsuits
- HR positions open or hard to fill
- Problems finding or retaining quality employees
- Overwhelmed with government regulations
- Distracted by administrative burdens

Change Agent –
- Growing rapidly
- Expanding to new markets
- Downsizing or re-organizing
- Spinning off or acquiring new divisions

Knockouts –
Roofers, General Contractors, Insulation Contractors, Logging Companies, Retail/Compliance companies, clubs, airlines, or hotels.

Note: Companies may be eligible to work with a PEO if they are not on any of the excluded industries list.
Strategic Advantages of a PEO

- Concentrate on your core business
- Align with a single source provider
- Minimize risk of employment-related liabilities
- Attract and retain quality employees
- Stabilize labor cost by leveraging PEO’s resources and infrastructure
- Reduce risk and safety exposure through active loss prevention programs
- Low risk investment

Financial Review

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Pass-through costs

Questions and Answers