COMMONWEALTH PAYROLL & HR

PostPEO

PEO Escape

Your Path to Independence

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Introductions

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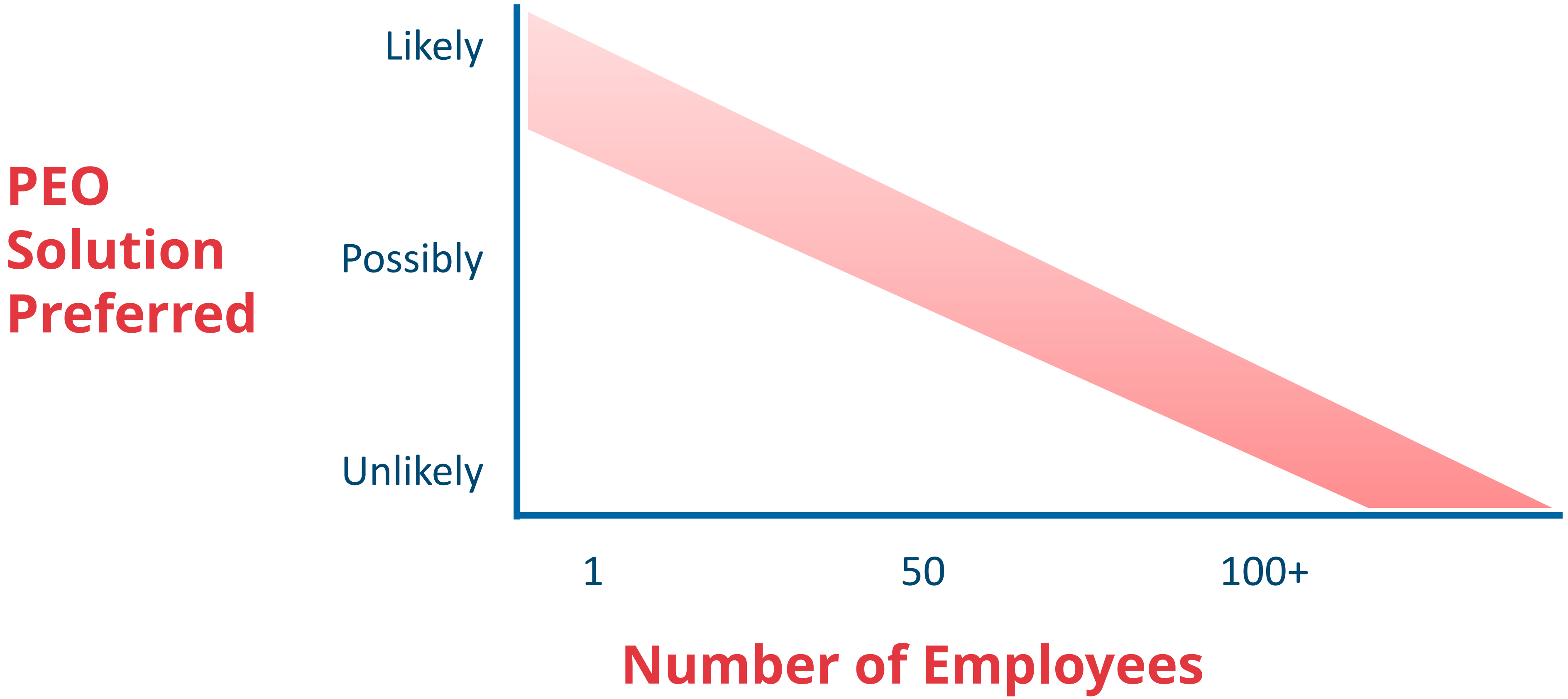
Agenda

- Why Companies Choose PEOs
- Why Companies Leave PEOs
- Unbundled Benefits – What’s possible outside the PEO
- Fractional HR Support – Reactive vs Proactive
- Takeaways

Why Companies Choose PEOs

- Start-up or early-stage company with little HR infrastructure
- Convenience – flexibility not important
- Company has a high workers' comp experience mod
- Small employer group wanting access to large group benefits
- Seeking more competitive health insurance rates/escaping a high renewal increase
- Assumption of reduced HR legal risk

Where is your company in the **PEO Life Cycle**?



Why Companies Leave PEOs

- Administrative costs exceed the value received: $1,500–$2,500 per employee per year
- Lack of transparency and outdated, inefficient technology hinder decision-making
- Poor customer service and deteriorating group insurance savings
- Workers' Comp experience no longer limits standard market access
- Benefits and inflexible policies misaligned with employee demographics and culture
- Matured HR infrastructure struggles with customized reporting and analytics

The Health Insurance Rate Trap for Small Groups

- Community Rating and Small Groups
- Large Groups and Claim-based information
- Pharmacy data
- “Teaser Rates”
- Exposure of Small Group and Large Group
- 13 Month Risk Pool Review and timeline

PEO Myth vs. Reality

THE MYTH

PEOs are the employer of record, so they must absorb the risk.

Clients assume joining a PEO grants full protection from employment risk, plus volume buying power on health insurance.

THE REALITY

- Employers stay liable for payroll accuracy, tax filings, and compliance.
- Clients are rated on their own claims data – costs and risk can be higher, not lower.
- EPLI* coverage is pooled with high retention and no tail – exposure continues after leaving.

*EPLI: Employment Practices Liability Insurance

Ideal Timeline for Exiting a PEO

The unbundling process typically takes 4-5 months to identify your needs and implement solutions

- Current state analysis
- Cost-benefit evaluation
- Review contract

- Begin vetting process for solution providers
- Obtain payroll/HCM quotes, make decisions, begin implementation
- Obtain benefit quotes if a large group employer

- Obtain benefit quotes if small group employer
- Obtain workers' comp quotes
- Obtain EPLI quotes
- Evaluate 401(k) providers

- Decide on benefits & open enrollment date
- Finalize workers' comp carrier
- Choose 401(k) provider
- Cancel PEO contract – typically 30-60 days in advance of leaving

When to make the change from PEO EIN back to yours?

Midyear?

Benefit Anniversary?

Start of Calendar Year?

What about deductible progress?

What about payroll tax limits?

CommpayHR's PEO Escape and Unbundling Made Easy

- Working with CommpayHR and PostPEO means
  - Project Manager for PEO Transition
  - Full Hire to Fire HCM Solution with
    - Payroll
    - Onboarding
    - Benefits Enrollment
    - Employee HR and Onboarding Support
    - Employer HR Support
    - Workers Comp Providers and integration
    - Benefit Plan advocacy and brokerage
    - 401k Options
  - A different customer experience that is typical coming out of a PEO Experience

Key Takeaways

- **PEOs can be a great starting point, but typically not a long-term solution**
  - They provide structure and compliance for small or growing companies, but many outgrow the one-size-fits-all model over time.
- **Exiting a PEO can unlock new opportunities**
  - Leaving a PEO gives you more control, cost transparency, flexibility, tailored benefits, & systems customized to your business.
- **The key to a successful transition is planning**
  - A 4-5 month transition plan helps ensure a smooth setup. Start early and work with trusted advisors.
- **You're not losing HR support, you're evolving it**
  - Fractional HR support works alongside your internal team to deliver flexible, strategic guidance aligned to your goals, not a vendor's template.
- **The goal: Build a people strategy that fits you**
  - The goal of leaving a PEO is to build an HR model that fits your business, with more control, clarity, and support as you grow.
- **Timing is Critical**
  - Make sure you're intentional about when you do it, and have all contingencies covered for that timing.

Questions?

Want more **HR guidance** in your inbox?

Join our **Employer's Handbook Community**!

Thank You!

Whether you have a question or want to learn more, we're happy to speak with you.

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