

How To Unbundle Professional Employer Organization (PEO) Services

Transitioning from a co-employment arrangement to handling HR, payroll, benefits, and compliance internally or through separate service providers.

Here are the steps:

1

Evaluate the Current Situation: Identify and understand the services provided by the PEO, such as payroll, benefits administration, HR support, and compliance. Review all contract terms (and penalties) so you can give notice of termination, etc.

2

Plan the Transition: Create a detailed plan that includes timelines, responsibilities, and the resources needed to transition everything. Consider the timing, such as aligning with the end of a tax quarter, to minimize disruptions to your business.

3

Select New Providers: Research and select new providers for payroll services, benefits (health insurance, retirement plans), workers' compensation, and others previously handled by the PEO. Make sure they meet your organization's needs and budget.

4

Notify the PEO: Inform the PEO of your decision to unbundle according to the terms outlined in your contract. This typically involves providing written notice within a specified time frame.

5

Handle Administrative Tasks: If you still need an Employer Identification Number (EIN), obtain one from the IRS. Register for state and local tax withholding and unemployment insurance. Ensure compliance with labor laws and regulations.

6

Transition Payroll Services: Set up your new payroll system. This includes inputting employee data, setting up tax withholdings, and making sure the system is ready for the first payroll cycle post-PEO.

7

Migrate Benefits Administration: Work with your new benefits providers to transition your health insurance, retirement plans, and other employee benefits. Communicate changes to your employees and manage the enrollment process.

8

Update HR Policies and Procedures: Review and update your HR policies and employee handbook to reflect the change. Ensure compliance with employment laws and regulations.

9

Communicate with Employees: Communicate the changes to your employees, including how and when the transition will occur, changes in benefits providers, and any action they need to take.

10

Finalize the Transition: Confirm that all services you used have successfully transitioned from the PEO. Ensure that all contracts with the PEO are officially terminated and that you have retrieved all necessary documentation and records.

11

Monitor and Adjust: After the transition, closely monitor the new systems so you can quickly address any issues. Collect feedback from your employees and adjust as needed. This whole process requires careful planning and execution. The more thoughtful you are, the smoother it will be for the entire team.

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