



TOOLKIT

# How to Smoothly Shift Your Business to a PEO: Step-By-Step Instructions

How to Evaluate, Select, and Move to a PEO

# Table of Contents

What to Expect When Transitioning Your Business to a PEO	3
Switching to a PEO in 6 Easy Steps: an Overview	4
Step 1: Prepare for the PEO Transition	5
Step 2: Understand the Client Services Agreement	7
Step 3: Establish a Comprehensive PEO Transition Plan	9
Step 4: Set Employee Expectations	11
Step 5: Execute a Seamless PEO Transition	13
Step 6: Keep Records and Documentation	15
About VensureHR	16

# What to Expect When Transitioning Your Business to a PEO

So you've done your research, developed an understanding of [what a PEO does](#), identified the perfect PEO solution for your business, and now you're ready to make the transition. But what does this entail? How do you ensure your business moves to the new [PEO services](#) smoothly? In this PEO Toolkit, we break down exactly how to transition your business to a PEO step by step. First, here's a little of what you can typically expect from this transitional stage.

## Transparency is Key

Change is often unsettling, especially when it comes to the workplace. Be sure to remain transparent with your employees and let them know that you and the PEO will be there to answer any questions that may arise. This will allow your employees to focus on productive work rather than worry about benefits and paychecks.

## PEOs Can Do a Lot

Much like large-scale HR departments, PEOs handle a wide range of administrative tasks like payroll, employee benefits, HR, tax administration, workers' compensation, and compliance. In some cases, a PEO may offer additional services, such as employee onboarding, staff handbooks, data analytics, strategic services, and more.

## Each Implementation Plan is Tailored

PEOs have a well-refined procedure and are professionals at executing these transitions. However, every onboarding process is unique, and each component of the PEO service agreement and implementation process should be completely tailored to fit [your business needs](#) and schedule.

# Switching to a PEO in 6 Easy Steps: An Overview

---

- Step 1** Prepare for the PEO Transition
- Step 2** Understand the Client Services Agreement
- Step 3** Establish a Comprehensive PEO Transition Plan
- Step 4** Set Employee Expectations
- Step 5** Execute a Seamless PEO Transition
- Step 6** Keep Records and Documentation

# Step 1:

## Prepare for the PEO Transition

### → What Will You Need to Move Forward?

The PEO will require a variety of different forms, numbers, codes, and HR data in order to execute a seamless transition. Below is the basic and most common information that a PEO service will need to get started.

#### Census Member Level

For each employee, the PEO will require their name, DOB, gender, zip codes, relationships, coverage tier, current medical plan, and whether they are full- or part-time.

#### Group Health Questionnaire (GHQ)

Typically a fillable PDF document, the GHQ is a form that helps the PEO understand the health of your employees and identifies important current enrollment information.

#### Legal Company Name

The PEO will require the full legal company name, the business address, the company phone number, and any further official contact information.

#### Standard Industrial Classification (SIC) Code

The SIC code is a business identification code used to classify the company by the type of industry. The SIC code is usually a four-digit numerical code that can be [found online](#).

#### North American Industry Classification System (NAICS) Code

A NAICS code is another form of business organization used by the Census Bureau. This code is a [self-assigned code](#) related to the economic classification of the business and is also a four-digit numerical code.

## Federal Tax Identification Number or Employer Identification Number (EIN)

Generally, every business needs or has an EIN. This ID number is used to identify a business entity, and it can be [obtained through the internal revenue service \(IRS\)](#).

## The Most Recent Payroll

The PEO will likely require you to share your most recent payroll information, as this will be important for offloading payroll responsibilities.

## → Do You Have a Transition Team?

To ensure a [seamless transition](#), you'll want to form a dedicated team to help execute the process. This team acts as the liaison between you and the PEO, overseeing the transition with expertise. Remember, you own the relationship with the PEO and other service providers, giving you control over the transition process. By establishing a dependable transition team, you can better align the PEO's capabilities with your business objectives, ensuring a smooth transition to the new arrangement.



# Step 2: Understand the Client Services Agreement

## → What is a Client Services Agreement?

A PEO service agreement is a legally binding contract between a PEO and a client company that sets the stage for collaboration. This agreement outlines the services the PEO will provide and defines, highlights, and allocates responsibilities between the parties. The contract also covers fees and payment terms, and it even delves into the realm of employee benefits. A PEO Client Services Agreement serves as the foundation for a successful partnership, offering clarity and protection as you embark on the PEO transition.

## → What are the Benefits of Signing a PEO Agreement?

As a co-employer, a PEO agreement endows several benefits that improve your confidence and make your collaboration more seamless and safe.

- › Sets the right expectations
- › States the correct scope of employment
- › Gives clarity of risks and liabilities
- › Offers more transparency
- › Provides clarity on termination

## → What Should You Look for in a PEO Contract?

A comprehensive PEO agreement will likely cover all of the aspects of the PEO's capabilities and expectations, including:

- › Terms and Conditions
- › Services and Solutions
- › Workers' Compensation
- › Liability Insurance
- › Benefits Plans
- › Fees

As a thorough employer, you'll also want to check the PEO contract for a few other agreement terms and be sure that you understand and agree with them fully. These include:

- › The PEO's Termination Abilities
- › Legal Actions Concerning Workforce Reduction
- › Unemployment Tax
- › Drug Testing Policies



# Step 3: Establish a Comprehensive PEO Transition Plan

## → What's Your Implementation Plan?

A reliable PEO will collaborate with your staff, presenting a well-defined timeline and assisting in devising a comprehensive transition strategy. This plan should detail crucial aspects such as software installations, the introduction of new healthcare options for your valued workforce, and the identification of any necessary policy or employee handbook revisions. By ensuring a clear roadmap for implementation, you can confidently navigate the PEO transition process and minimize disruption.

## → What Is Your Benefits Package Strategy?

While there's no one-size-fits-all solution, it's important to recognize that every company possesses its own distinct characteristics, including diverse employees, budgetary constraints, and industry expectations. To achieve maximum impact, you'll want to approach the changes to your benefit plan thoughtfully.

→ Here are a few things worth considering:

### Your Employee's Preferences

What have your employees voiced concerns about or asked for in the past? What are some requests that your employees have made that may not have previously been on the table? Don't forget to take care of those that got you to this point.

### Standing Out in the Job Market

What benefits are your competitors offering? Which benefits are they not offering? What types of benefits will help you stand out to potential hires in your specific industry? Remember to consider your current employees but also your future employees.

### Providing Several Options

Sometimes it's best to present your employees with several options to choose from. Why not let them pick what benefits will work best for them? Having a flexible and tailored benefits package can only help in the long run.

### Employer Contribution

A comprehensive benefits package should include notable employer contributions. By setting up robust 401(k) programs or substantially covering employee-only benefits, you'll be more likely to enhance employee retention and boost satisfaction in the workplace.



# Step 4: Set Employee Expectations

As an employer, you'll need to develop a robust communication plan to set expectations and inform employees about the new relationship. Because things like payroll, healthcare benefits, and more are changing, your employees may have a variety of questions. Your company should strive to address these concerns to ensure transparency and peace of mind. And if you or your team leads don't have all of the answers, they should be able to direct them to someone at the PEO who does. By shedding light on the process, you can empower your employees and demonstrate your commitment.

## → What Do You Need to Communicate to Your Employees?

Emphasize how the PEO will enhance job satisfaction by offering valuable benefits. Additionally, provide timely updates on any upcoming changes to avoid catching employees off guard. A smooth transition relies on promptly submitting necessary information and making decisions related to the PEO partnership. By communicating the importance of prioritizing these requests to the entire team, you can foster a cooperative environment that facilitates a seamless transition.

## → What Should Employees Expect During the Switch?

### First Week

In the first seven days, most PEOs will offer a pre-payroll call to ensure that everything is ready to submit and address any last-minute questions. Once the payroll is entered, the PEO team will review it for accuracy.

### First 30 Days

The first month of working with your new PEO will likely involve a bit of getting to know each other. The PEO will conduct HR assessments and determine what adjustments are needed, such as tax account actions, for instance.

### 30 – 60 Days

During month two, the PEO will typically present a draft of your new Employee Handbook. The handbook should reflect the work culture you've been trying to facilitate, and your online portal should be customized for your brand and for easy employee navigation.

### After 90 Days

After month three, your strategic partnership should be well underway. Final handbooks will have been issued by this time, and your employees should have been fully trained in using the new HR management systems. Now it's smooth sailing.



# Step 5: Execute a Seamless PEO Transition

## → Streamlining Payroll and Employee Enrollment

During the transition, employee enrollment will be scheduled to transfer the employer on record and facilitate benefits enrollment. This involves completing the necessary paperwork, such as I-9 and W-4 forms, as well as payroll enrollment. As the PEO becomes the new employer of record, it assumes legal responsibilities for your workforce. Under its EIN, the PEO handles payroll processing, issues W-2s, and ensures compliance with federal, state, and local employment taxes. From recruitment to background checks, workers' compensation, and termination, the PEO takes charge of all administrative human resources processes.

## → Migration of HR Data into PEO Platforms

The PEO takes the lead in transferring all collected HR data into its robust, secure system. This migration allows employees to access their benefits through the PEO while also ensuring the safety and accessibility of their data via the PEO's human resources information system. By partnering with a PEO, your business gains access to advanced systems and analytical capabilities that were previously out of reach.

## → Employee Training and Familiarization

With the implementation of new HR management software, it's crucial for both you, as the employer, and the PEO to collaborate in providing comprehensive education and training to employees. This ensures that they are well-versed in navigating the new systems and know how to access essential employee data, including payroll, time-off requests, statements, documents, and tax information.

## → Guidance for Leadership Roles

Informing employees in leadership positions about the impact of this transition on their responsibilities is essential. With the PEO in place, their involvement in hiring, termination processes, performance coaching, and vacation approvals may undergo changes. Set clear expectations and modify job roles accordingly, allowing your team leads to focus on their core responsibilities and what matters most to drive organizational success.

By executing these crucial steps, your business can seamlessly transition to a PEO, leveraging its expertise, systems, and support to streamline HR processes and empower your workforce.



# Step 6: Keep Records and Documentation

Maintaining thorough documentation and records is paramount when transitioning your business to a PEO. This practice serves as a reliable compass, ensuring that the process stays on track and all necessary steps are diligently followed. By capturing clear and detailed records, you establish a valuable resource that can be referenced when needed, particularly in the event of any challenges or complications that may arise.

From the initial agreement with the PEO to the various stages of project planning, every step and agreement should be meticulously documented and made readily accessible to all parties involved. This comprehensive approach to record-keeping provides a solid foundation for accountability, transparency, and effective collaboration throughout the transition, ultimately contributing to a smooth and successful integration with the new PEO.

## Simplify Your Business

Transitioning to a PEO can feel daunting, but with these six simple steps, your move to a PEO can be as seamless as possible. Explore the possibilities and find the perfect PEO fit for your business. [VensureHR](#) offers several informative resources to help you better understand how a PEO could benefit your company.

[Get Started](#)





# About VensureHR



## THE BETTER WAY OF ALL THINGS BUSINESS

VensureHR, the HR consulting and support division of Vensure Employer Solutions, is a privately owned professional employer organization (PEO) founded in 2004 and headquartered in Chandler, Arizona. The company processes over \$18.6 billion in payroll and supports more than 526,000 worksite employees. As the nation's fastest-growing PEO, Vensure uses industry-leading technology to offer complete, end-to-end solutions for payroll, HR administration, employee benefits, risk management, and workers' compensation services. Spanning a broad spectrum of industries, Vensure allows business owners to cost-effectively manage HR functions and focus on growth and profitability initiatives. Learn more at [Vensure.com](https://www.vensure.com).



Be sure to **subscribe** to The Vensure Voice, our weekly updates newsletter.



800.409.8958 / [info@vensure.com](mailto:info@vensure.com) / [vensure.com](https://www.vensure.com)