



BUILDING PEO MARKET SHARE



National Association
of Professional Employer Organizations



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NAPEO's membership value proposition is deeply rooted in the Association's original charter to bring like-minded entrepreneurs together to legitimize and grow a fledgling industry. Twenty-four years later, NAPEO's mission continues to focus on growing PEO member businesses and codifying the industry. The PEO industry, NAPEO, and its members have come a long way since 1984, and we've done so by leveraging the power of many into a single, strong, unified voice.

By coming together and pooling resources and knowledge, NAPEO's members have realized incredible successes at the company level, and as an industry. NAPEO's commitment to proactive government affairs has delivered real value to members in the form of expanded market share, legal certainty, and essential operational flexibility. Our advocacy initiatives have been complemented by a take-charge public relations campaign that has successfully heightened consumer awareness of the value PEOs bring to America's businesses. Our educational programs and member resources allow members to meet higher standards of operational performance and stay informed in the ever-changing environment in which PEOs do business.

NAPEO is *your* association...an extension of the mission you pursue every day in your own company. 2008 was a year marked by many successes and continued growth of our great industry. But our work is far from over...the groundwork has already been laid for an aggressive agenda going forward. Join us, and continue to be part of an industry and an association that is revolutionizing the delivery of human resource services to America's businesses.

NAPEO'S MISSION:

The National Association of Professional Employer Organizations will advance the professional employer organization industry by:

- 1 Promoting a set of professional standards that address financial, legal and ethical performance;
- 2 Educating members, regulators, legislators, consumers, and suppliers;
- 3 Promoting the adoption of consistent state and federal laws and regulations; and
- 4 Promoting a favorable industry image.

Building an Industry, One Member at a Time

NAPEO's membership ranks have continued to grow, as NAPEO welcomed more than 60 new PEO members and nearly 70 associate (vendor) members to the association in 2008.

As evidenced below, NAPEO's membership continues to represent the interests of a diverse membership base, including start-up PEOs, large-multi-state companies, and the many players in between. NAPEO has a broad tent where PEOs of all shapes, sizes and operational models share similar goals in their business and in their affiliation with NAPEO: to expand market share and consumer acceptance of the PEO value proposition.

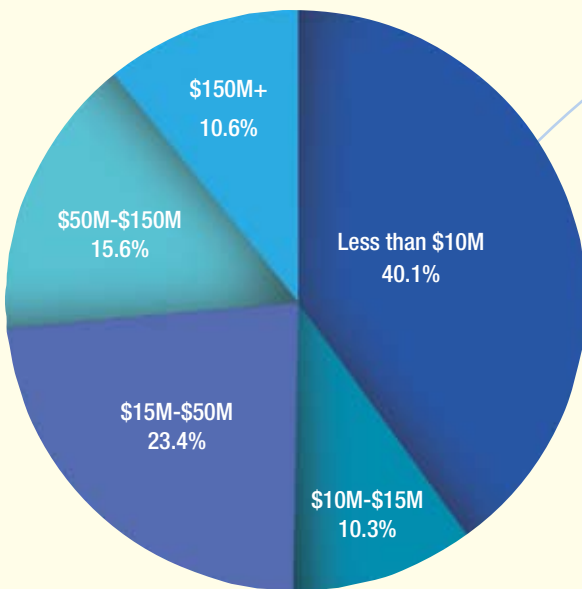


Raising the Bar



In 2008, NAPEO began providing recognition in its online directory of PEOs of those members with audited financial statements.

PEO Members by Total PEO Wages



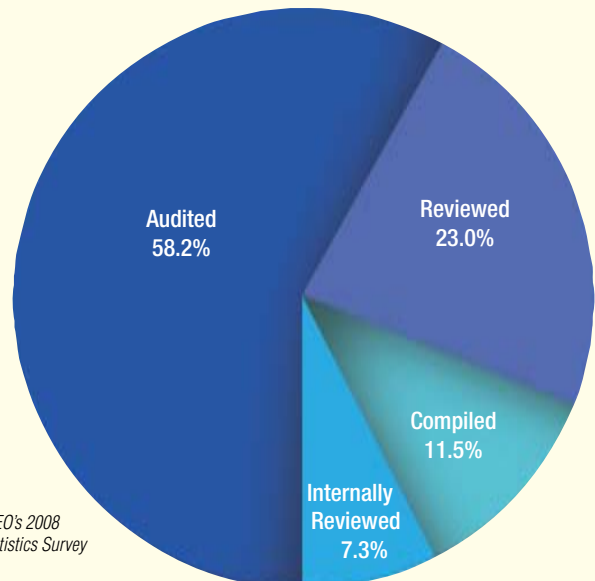
NAPEO's members represent more than 90% of the industry's \$68 billion in gross revenues.

Profile of an Average NAPEO Member*

	2007	2008
Average # of client companies	202	225
Average size of client companies (# worksite employees)	19	20
Total worksite employees	3,833	4,508
Gross revenues	\$142.3 million	\$175 million

*Source: NAPEO's 2008 Financial Ratio Survey & membership data

NAPEO Members' Financial Statements are...




Source: NAPEO's 2008 Operating Statistics Survey


BUILDING PEO MARKET SHARE THROUGH

Creating a positive state regulatory environment for PEOs – one that fosters expanded industry market share, operational certainty, and business flexibility – took a significant step forward in 2008. Evidence abounds that industries that assume a fiduciary responsibility like the PEO industry are under siege by policymakers who are looking to ensure adequate oversight


is in place. In the face of this changing public policy climate, NAPEO has successfully fought for reasonable regulatory requirements: requirements that provide PEOs with protection from unknown business exposures, transparent rules and operational flexibility while balancing lawmakers' desire for consumer protections.




NAPEO crafted legislation enacted in **Utah** that modernizes the existing PEO statute by requiring audited financial statements, strengthening standards for PEOs sponsoring self-insured health benefit plans, and moving regulatory authority to the Department of Insurance from the Department of Professional Licensing.



The **Connecticut** legislature enacted the NAPEO-backed industry model legislation that has become the standard across the country for providing legal certainty for the PEO industry. This legislation establishes registration rules, financial practices, and operational protections including important liability safeguards for PEOs.



In **Colorado**, legislation was enacted that affirms a PEO's authority to report UI for worksite employees on its accounts and also codifies the PEO industry through registration and annual audited financial statements.



NAPEO was able to parlay the move in **West Virginia** from a monopolistic workers' compensation market to a voluntary one into comprehensive legislation providing protections for PEOs operating in the state. In addition to ensuring critical operational flexibility for PEOs in the workers' compensation arena, the new law sets registration and financial practices while giving PEOs protections for unknown liabilities outside the scope of the client service agreement.

PROACTIVE GOVERNMENT AFFAIRS

NAPEO's government affairs successes in 2008 were unprecedented. Never before have so many legislative and regulatory victories been realized to provide legal certainty and continued growth of PEO market share across the country. From a northeastern state like Connecticut, to Midwestern states like Wisconsin and West Virginia, to the mountain states of Colorado and Utah, PEOs operating in these jurisdictions can now do so with the certainty of legal standing and comfort that many internal operations and business practices are now cemented in statutes. The key to NAPEO's success was the involvement of PEOs through its 20 local Leadership Councils. The association's growing grassroots movement turns individual actions into a powerful industry voice that is changing the business of employment in state capitals across the country.

In addition to enacting these specific laws, NAPEO short-circuited attempts by some state regulators across the country to promulgate onerous unemployment insurance reporting regulations, was able to clarify a number of tax and benefit rules to ensure PEO arrangements did not inhibit clients from taking advantage of credits or programs they would otherwise be eligible for, and challenged workers' compensation rules that exceeded agency authority and attempted to limit PEO policy options.

What makes these achievements all the more impressive is that they were carried out in the face of sometimes staunch opposition from various industry opponents. Central to these achievements has been NAPEO's burgeoning grassroots initiative which has resulted in the industry identifying and fostering legislative champions. These lawmakers understand the PEO industry and have been willing to fight for fair and transparent regulation.

NAPEO's long-range objective is to secure legal and operational certainty that will ensure the long-term viability of the PEO industry into 2009 and beyond.

Successful government affairs initiatives are about creating value and profitability for your PEO. By just about any metric, NAPEO's government affairs efforts in 2008 were a tremendous success!



A PEO Legislative Maverick & Champion

In September 2008, Art Geiger, President and CEO of Avitus Group in Billings, MT, received the industry's most prestigious recognition, the Michaeline A. Doyle Award. Geiger's service to NAPEO and its government affairs mission stretches back many years. Most recently, Geiger helped coordinate industry support of a new Colorado law that includes a groundbreaking PEO licensing program. Art exemplifies the success of NAPEO's grassroots efforts and has been a tireless supporter of our legislative and regulatory missions in many states throughout his tenure as a NAPEO member. Geiger was also elected to NAPEO's Executive Committee as Secretary for the 2009 membership year.

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DRIVING SALES USING PUBLIC RELATIONS

The success of NAPEO's public relations initiative is vital to building your PEO business. NAPEO's public relations efforts are part of an integrated sales and marketing strategy and focus on driving coverage to help boost sales for PEO members.

Measuring Success Through Public Relations

As with any good media campaign, the starting point is establishing sustainable and measurable goals. Over the past four years, most of the initial PR initiative goals have been successfully achieved. This year, new goals rooted in the idea of impacting the sales cycle were unveiled:

- Raise PEO market penetration by educating business owners and their trusted advisors.
- Mold the PEO industry perception as a human resources, benefits and risk management solution for business owners.
- Establish and extol the tangible and intangible benefits of the PEO value proposition.
- Brand and position NAPEO as the dominant industry spokesperson and expert for the growing PEO industry that continues to increase standards and broaden practices.

Generating Buzz and Brand Awareness

Traditionally, public relations focuses on reaching the media with press releases as the core medium for communication. NAPEO has taken proactive media relations a step further and harnessed the combined resources of NAPEO members into an online, searchable database for journalists on deadline seeking expert sources. The Deadline Database program has revolutionized communication between NAPEO and national media working on articles. The reverse is also true as NAPEO seeks active story opportunities with national media. The ProfNet Program gives NAPEO an easy and efficient way to gain visibility, monitor the interests of thousands of news organizations and cultivate new media relationships. As a direct result of ProfNet and the Deadline Database, media placements have been generated in the *Boston Globe*, *Los Angeles Times*, *Chicago Tribune*, *Wall Street Journal*, *Dallas Morning News* and *U.S. News & World Report*.

Leveraging Media

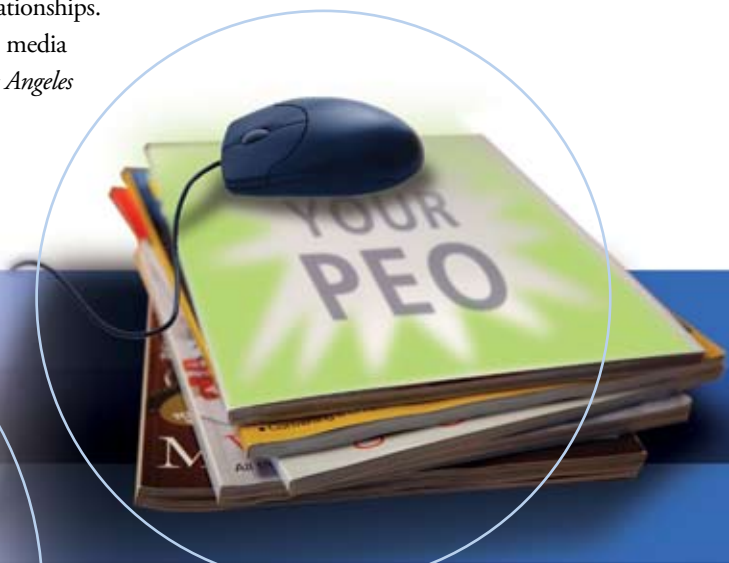
With more demand for placements in big-city newspapers, getting NAPEO's story covered is no easy feat. Nevertheless, NAPEO continued to find fertile ground for our messages and positioned members prominently in the public eye. The solution: more targeted messages with intense focus on media outlets that serve smaller trade communities. Bylined articles appeared in *SeaFood Business*, *Hotel & Motel Management*, *Physician's News Digest*, *AICPA's The CPA Letter*, *Practicing CPA* and *Volume Magazine*. Dedicated campaigns to syndicated workplace reporters and business reporters at regional business journals in the Top 25 markets greased the wheels for articles in the *NJBiz*, *Smart Business Chicago*, *Oregon Business Journal* and *Northbay Biz*.

Affordable Turnkey Communications Solutions

In 2008, emphasis was placed on assisting members with the information and tools of the public relations trade. E-News was revamped to include expert tips on subjects ranging from press release keywords to media pitching strategies. Bylined article opportunities and news trends in top markets are also conveyed to members through E-News.

NAPEO uses its industry command to bring you complete, turnkey communications solutions that connect you with your target audiences – the media, the business community, clients and investors. In order for industry messages to create the greatest possible impact, it must reach the right people at the right time, in the right place, in the way they want to receive it.

NAPEO's public relations initiative delivers value to your PEO with coverage aimed at boosting your PEO's sales and success of your company.



NAPEO – THE SOURCE FOR PEO EDUCATION... LEARN HOW TO GROW YOUR PEO

NAPEO's events are designed by PEOs for PEOs, and always seek to deliver practical, timely information that can be applied in your day-to-day quest for positive bottom line results. 2008 was no exception to this trend, as NAPEO offered another stellar line-up of programs geared for PEO management teams and their vital departmental staff.

NAPEO's Risk Management Workshop, held in April, included keynote sessions from experts in the insurance and workers' compensation arenas, two tracks of break-out sessions, and interactive Inspiration Labs. This workshop continues to be the largest gathering of PEO risk managers, carriers, brokers, and agents, bringing together nearly 200 PEO professionals and service partners.

NAPEO's Legal & Legislative Conference drew a record crowd of more than 260 for two days of important legal and management insight. Features of this program included presentations providing valuable perspective from regulators and legislators, interactive hands-on workshops, timely policy discussions, legal analysis, lobbying opportunities, and the highly lauded *Ask the Experts* Q&A panel. As this program has come to clearly convey, our regulatory and legal environment has a very real and direct impact on the management and operation of a PEO.



NAPEO's 2008 SalesQuest, themed "*Selling Beyond Your Handicap: Secrets to Perfecting Your Swing*" was held in June and brought 160 industry professionals to the beautiful Ritz-Carlton Sarasota. The program included three motivating workshops from respected outside knowledge leaders complemented by industry experts' perspective on each aspect of the PEO sales process. NAPEO's SalesQuest continues to offer hard-hitting sales training and an informal exchange of ideas beneficial for PEO sales professionals, managers, and owners alike.

NAPEO's CFO Seminar: Strategic Financial Planning for PEOs: Forecasting the Road Ahead was held in July for 100 of the industry's owners, CFOs, and service partners. The program included panel presentations on a variety of PEO finance and accounting topics, a host of interactive roundtable discussions, and a special luncheon presentation which provided a valuable perspective on the PEO marketplace from a member of the investment banking community. Through this program, NAPEO's Accounting Practices Committee continued its mission to educate members on the use and value of NAPEO's Financial Ratio & Operating Statistics Survey as a benchmarking and planning tool.

NAPEO's Professional Employer & Marketplace 2008: Themed "*The Mechanics of Innovation: Strategies for Creating Sustainable Growth*," the association's flagship event drew a crowd of 750 and featured three keynote presentations from leading business experts, six inspiration labs, expanded break-outs spanning a variety of operational and management topics, a sold out exhibit hall, and lots of informal networking time with fellow PEO colleagues and service partners. The theme of sustainable growth permeated all aspects of the conference, providing attendees with tangible and practical tools for growing their own businesses.

2009 Events:


Risk Management Workshop – March 24-25, 2009
Marriott Tampa Airport, Tampa, FL

Legal & Legislative Conference – May 18-19, 2009
The Ritz-Carlton, Pentagon City, Arlington, VA

SalesQuest – June 25-26, 2009
The Ritz-Carlton, Lake Las Vegas, Las Vegas, NV

CFO Seminar – Date and location to be determined

Professional Employer 2009 – September 10-12, 2008
The Fontainebleau, Miami, FL

Please check NAPEO's Events Calendar at www.napeo.org for upcoming program details, online registration, and travel info. 

BUSINESS RESOURCES THAT HELP YOU GROW YOUR PEO'S MARKET SHARE

Throughout 2008, NAPEO continued its commitment to delivering valuable business resources that provide tools for growing your business and save you time and money. Consider us your outsourced technical advisor on a host of PEO operational and management issues...

NAPEO's Members-Only Web site provides access to tools that deliver immediate answers to your questions. Online resources include...

- NAPEO's **comprehensive state regulatory database**, a time and money saver when researching entry into a new market;
- **Online article library** containing more than 1,200 technical articles and white papers, ideal for research and training;
- **Sample risk management documents**, offering a blueprint for your risk management program;
- **Professional performance practices**, providing invaluable guidance on all aspects of operations;
- **PR Toolkit**, essential to building your PEO's PR program;
- **PEO industry PowerPoint presentation**, excellent for building your PEO's marketing message;
- Downloadable **NAPEO Member logo** for use in promoting your commitment to professionalism in the PEO industry;
- and more...

Complementing our online services, NAPEO offers a host of discounted sales training materials, sales referrals from NAPEO's online directory, professional industry marketing materials, as well as a variety of regular communications – printed and electronic – designed to keep members in the know.

NAPEO also unveiled an improved and expanded **Financial Ratio & Operating Statistics Survey Report**, delivering a customized and unequalled benchmarking and trend-tracking tool for the PEO industry. The report provided a company-specific report card featuring participants' data as compared to data of other PEOs of similar company size, ensuring valuable perspective for PEOs at all stages of development.

Finally, NAPEO's **portfolio of legal resources was recently expanded** and now includes three valuable components:

- **NAPEO Legal Review**[™], an in-depth look at a specific legal issue as it applies to PEOs;
- **NAPEO Legal Insights**[™], providing concise, practical guidance from practitioners on ways to address the legal implications of more narrow and specific situations that are likely to occur in your PEO;
- And **NAPEO Legal Issues Teleconferences**[™] Series, where legal experts provide additional insight on published legal topics and field questions from members, providing additional clarity and drill-down on the practical aspects of the toughest issues.

For information about these and other NAPEO member services, please contact NAPEO today!

Visit NAPEO online at www.napeo.org
Call our member services team at (703) 836-0466
Email us at info@napeo.org

Visit Us in our New Home in 2009!

NAPEO will move into a new headquarters office in early 2009. NAPEO members, consider this your home away from home in the Washington, DC area. Located just 5 minutes from Washington's Reagan airport (DCA), and 15 minutes from Capitol Hill, NAPEO's doors are always open to members wishing to visit with staff, learn more about our services, or grab a quiet spot to do some work.

Our new address is:



707 North St. Asaph Street
Alexandria VA 22314
(703) 836-0466

All staff phone numbers will remain the same. A directory of staff contacts is available on the Members-Only Web site at www.napeo.org.

