

OPENING GENERAL SESSION 2021 PEO CAPITOL SUMMIT



FROM SURVIVE TO THRIVE



2021 ANNUAL REPORT



While the pandemic continued to impact the U.S. and the world in 2021, there were some welcome signs of normalcy as we returned to offices and also began to host live events. PEOs still confronted challenges like reopening protocols, vaccine mandates, and labor shortages. Clients relied on your expertise to navigate these obstacles, and many businesses are thriving today because of PEOs.

The industry demonstrated its true value during the pandemic, and businesses across the country have taken notice as more and more turn to PEOs. The expertise and guidance that you provide has led to PEO clients being 82% more likely to have business operations back to normal or better than pre-COVID. This is a testament to how powerful a partner PEOs are to small and mid-sized businesses.

As the industry continues to grow, our focus remains simple: raise PEO awareness, advance regulatory priorities, and provide meaningful education. We released two white papers, developed our largest trove yet of customizable PEO marketing resources, produced a client testimonial video, expanded our virtual education events, established new affinity groups, and notched several big regulatory wins in the states and in Washington.

New challenges await as the ripple effects of COVID-19 change the workforce, but PEOs have a lot to celebrate this year.





ADVOCACY

napeo.org/advocacy

Advancing the industry's regulatory and legislative priorities, protecting PEOs from undue burdens, and forging lasting relationships with lawmakers are the pillars of our dynamic government affairs efforts. This year might have ushered in a new administration in Washington, D.C., but that didn't slow us down. We engaged with policymakers, advocated for PEO interests, and secured a few sought after wins.

We worked with the Equal Employment Opportunity Commission (EEOC) to ensure that clients, and not the PEO, are ultimately responsible for filing the agency's EEO-1 form. Previously, PEOs were responsible for filing a consolidated EEO-1 form for all eligible clients, which placed the burden of compliance on the PEO. By engaging with the agency, we successfully persuaded regulators to issue updated guidance that makes it clear that the client – not the PEO – is ultimately responsible for filing an EEO-1 form.

President Biden's top priority upon taking office was securing passage of the American Rescue Plan. The massive legislation contained many provisions that would affect how PEOs operate including the temporary 100% COBRA subsidy. We leveraged key relationships to express the need for PEO-specific FAQs to be included in guidance released by the IRS on this issue. In another victory for PEOs, the guidance held that a PEO can claim the tax credit in its own name for PEO-sponsored coverage that is offered to client employers if certain conditions are met.





FLORIDA

We worked with the Florida Association of Professional Employer Organizations (FAPEO) to successfully defeat harmful bills that would have shifted workers' compensation liability for unreported employees to PEOs. We communicated with legislators the unintended harm this legislation would cause and activated a strong grassroots campaign to amplify our message. Had these bills progressed through the legislature, PEOs would have suffered devastating consequences.



KANSAS

In Kansas, NAPEO-sponsored legislation was signed into law that removed a long-standing requirement for PEOs to manage two separate UI accounts for a single client. This had been a goal of our state action plan for a few sessions, as we recognized the unnecessary redundancy of this rule. The law took effect in May, and we have worked with the state labor department to facilitate an easy transition to the new system.



INDIANA

In Indiana, withholding tax remittance legislation took effect in April. The law requires "payroll service providers" to register with the state and requires a shorter withholding period for payroll tax remittance. As originally filed, the language was vague enough to leave PEOs open to the registration obligation. Early in the session, we successfully worked with the sponsor to exclude PEOs from this requirement. This is a positive outcome that preserves PEOs' ability to thrive in the Hoosier state.

Student loans emerged as a growing concern for employees in recent years, and many employers have sought ways to offer student loan repayment as a benefit. The U.S. Department of Education operates the Public Service Student Loan Forgiveness program for borrowers who work for non-profit organizations and satisfy certain requirements. However, there was concern that worksite employees who would otherwise be eligible to participate would be excluded because their W-2 contains the PEO's EIN. We worked with the Department of Education to clarify that the employees of a non-profit who use a PEO remain eligible for the Public Service Loan Forgiveness program. The department updated their website to clarify how non-profit employees that use a PEO should apply for loan forgiveness based on the conversations the agency had with NAPEO.

We also engaged with the IRS on several issues, including seeking clarity on the Employee Retention Tax Credit (ERTC) and the payroll tax deferral. We also secured a temporary one-year use of electronic signatures for Form 9973, and lobbied Congress to clarify liability on client-based payroll tax credits.

These achievements represent important victories, but more work lies ahead which makes a strong, robust government affairs strategy more important than ever. As the PEO industry has grown in size, more recognition from regulators has followed. These policymakers regularly make decisions that are consequential to the PEO industry. With so much at stake, we must stay involved in the political process so that our viewpoints are represented in Congress. NAPEO PAC, our federal political action committee, helps us deepen our outreach to lawmakers and support the campaigns of those in Congress who support the PEO industry.

This year we have more members who belong to the PAC restricted class (those eligible to receive information, make donations, and participate in activities) than ever before. We're also proud to report that our members contributed more than \$100,000 this year to NAPEO PAC which was the most raised since 2010.





MARKETING

napeo.org/marketing

The past year and a half really brought to light how strong the PEO value proposition is. Each year a growing number of business owners turn to PEOs, but we know that a lack of PEO awareness is still a big reason why even more businesses do not partner with a PEO. Combating this obstacle is the main focus of all our marketing efforts. We accelerated our industry marketing initiatives this year to continue spreading the good news about PEOs and drive more businesses to PEOs.

All year long we ran targeted digital ad campaigns designed to increase PEO awareness among very specific key audiences who are most likely to seek the services of a PEO. The quarterly campaigns revolve around a unique theme, and messages and assets are updated frequently across the Google Display Ad Network, Facebook, LinkedIn, Twitter, and YouTube. The ads have generated millions of impressions and they direct viewers to a landing page with our Find A PEO directory.

We unveiled two industry white papers for the first time ever this year. The first study was released in May and examined the industry's footprint: 173,000 businesses rely on PEOs for services, resources, and expertise and represent 4 million worksite employees across every state in the country. The second study explored how PEO clients fared during the pandemic compared to non-PEO clients. The results confirmed what we knew to be true: PEO clients are thriving.

FROM SURVIVE TO THRIVE

173,000

PEO Clients

487

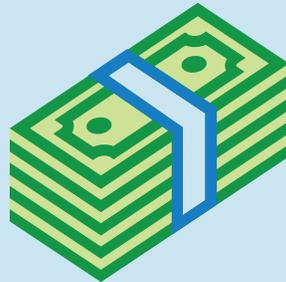
PEOs in US

4 million

WSEs

\$166 billion

2020 941s



\$254 billion

Industry Revenue

16x

faster employment
growth than the rest of
the economy



15%

increase in
PEO awareness

\$100,000

donated by members to
NAPEO PAC

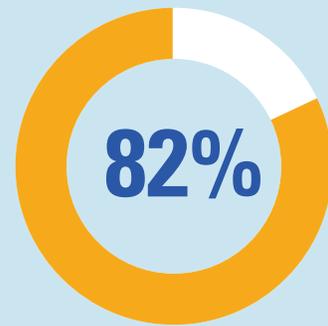
\$120,000

raised for
Soldiers' Angels through
NAPEO Gives Back

Since the pandemic, relative to comparable small businesses, PEO clients:



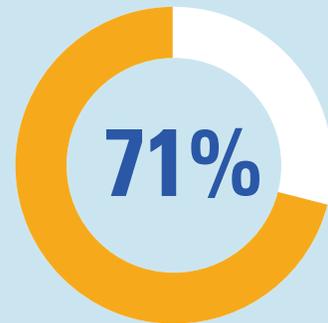
less likely to have
permanently closed



more likely to have business
operations back to normal (or better)



higher growth than the rest
of the economy

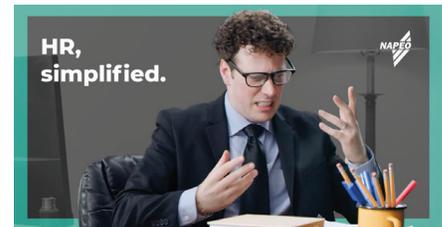


more likely to have received
PPP loans in 2021

Part of our efforts also focus on equipping you with resources to complement and support your own marketing efforts. That's why our marketing resource library is filled with graphics, GIFs, and videos. We add new resources each year, and this year we produced our largest trove of assets yet. More than one hundred different assets are available for any member to use and many of them can be easily customized with your company's logo.

Of course, no one can tell the PEO story more authentically than actual PEO clients. In a NAPEO-first, we produced a three-minute-long video that features PEO clients explaining how their PEO saved their businesses during the pandemic. These moving, powerful stories capture the essence of what PEOs are all about: people.

Businesses and workers all over the country have gone from *survive* to *thrive* thanks to PEOs.



16,971,496

total impressions from
digital ads

224,736

total visits to
Find a PEO website

702,256

total website visits



34

webinars

>7,000

member accounts in
our database

1,489

new member
accounts created
last year

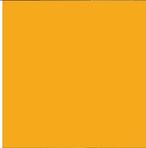
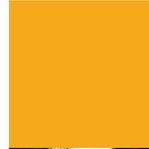


271

PEO members

223

Associate members





EDUCATION

napeo.org/events

As a close-knit industry, we lean on relationships and friendships to help us tackle challenging issues and develop new ideas.

Our events are not just about hearing updates and learning new information though; they're about connecting, collaborating and celebrating. In June, more than 150 members met in Tampa for our CFO seminar, the first in-person NAPEO event since Risk Management Workshop in early March 2020. The hotel buzzed with excitement as old friends reconnected, swapping pandemic stories and catching up on each other's lives and businesses. The sessions themselves felt much more engaging as our speakers presented live.

This same energy carried into our hallmark event, the Annual Conference and Marketplace. It was three days of networking, learning, and fun. We revamped our breakout sessions to align with various PEO specialty tracks, allowing for more in-depth, meaningful education.

If there was a silver lining to the COVID crisis, it was that we realized we could provide meaningful education in new ways. While virtual events cannot exactly replicate the experience of an in-person meeting, they do allow for more people to participate. That's why we offered a wide range of educational opportunities this year to maximize our reach.

The PEO industry is complicated, with many nuances, intricacies, and challenges. Learning from your peers is critical to success, so we work hard to facilitate year-round forums for learning. We introduced Community Conversations this year to bring you together with peers in a specific PEO-specialty area such as accounting, risk management, HR, benefits, and sales, among others. Each group met a few times via Zoom to share insight and expertise and learn from each other.

Our webinars continue to be a very popular source for information on emerging and new issues. We maintained our robust pace and have offered more than 30 webinars this year on a wide range of topics. Our average attendance is 200 members on each webinar, well above pre-COVID levels, and we plan to continue offering frequent virtual education offerings. More than 5,000 members tuned in to one of our virtual events this year.

In addition to our new educational offerings, we introduced two affinity groups this year: Women In NAPEO (WIN) and NextGen.

WIN's mission is to empower and encourage women to be leaders in the industry while engaging with one another to share experiences, insights, best practices, and career advice. The first WIN event drew hundreds of participants and was filled with energy and enthusiasm. We plan to build off the first year's success and continue this initiative.

NextGen was created to allow PEO industry professionals under 40 years old to connect and network as future leaders. The industry has grown and matured, and the next wave of leaders must be prepared to take the helm. NextGen focuses on bringing these future leaders together to collaborate, learn, and grow.

Running a PEO and growing your business is not easy, but our PEO-specific educational offerings and events are designed to equip you with the knowledge, insight, and information you need to succeed.



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*Director of Publishing
Editor, PEO Insider*



National Association
of Professional Employer Organizations
707 North Saint Asaph Street
Alexandria, VA 22314
Phone: (703) 836-0466
Fax: (703) 836-0976
www.napeo.org