



Leaving
YOUR PEO
CHECKLIST
eGuide

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OVERVIEW

Leaving a PEO is an important undertaking, not just because it's a big project that will impact all of your employees, but also because it's the **start of building your own infrastructure** for managing the important HR, benefits, and payroll functions of your business.

This infrastructure is the **foundation** upon which you will grow and support your people so **it's important to build it for strength, stability and scalability**. It's also important that you build it to **give your employees a great experience** in every interaction with your company.

Like any important project, **preparation is key**. The objective of this guide is to help you with your preparation and execution of your PEO migration.



KEY DECISIONS

Here are some of the important decisions and actions **you should complete before starting your migration:**

- Evaluate and select your new technology vendor** for the following core functions. It is recommended that you have only one technology for these core functions due to the volume of data dependencies and the importance of real-time integration:

- Payroll
- Time & Attendance
- HR
- Benefits
- Electronic I-9 and E-verify (if applicable)
- Employee onboarding and self-service portal

- Evaluate and select your new insurance and compliance vendors** including:

- Core benefits** (medical, dental, vision, life, disability)
- Fringe/Supplemental benefits** (EAP, voluntary benefits, etc.)
- If applicable, implement disability** insurance needed to comply with special SDI requirements in states that require private insurance (California, Hawaii, New Jersey, New York and Rhode Island)



KEY DECISIONS

- 401k advisor and plan administrator.** It is highly recommended that you choose a plan administrator that already has a technology integration with your new HR technology system.
- FSA, HSA, Commuter vendor.** It is recommended that you choose a vendor that integrates with your chosen technology vendor. If you will not have an FSA plan, be sure you set up a Premium Only Plan to allow for pre-tax deductions for employee benefits contributions.
- COBRA vendor.** It is recommended that you choose a vendor that integrates with your chosen technology vendor.
- Workers Compensation** insurance.
- Employment Practices Liability insurance.** If you already have an EPL policy, you should update your coverages to account for the fact that you are no longer sharing liability with your PEO (due to the co-employment relationship).
- Background check vendor** (if background checks are currently managed by your PEO).
- E-learning platform** for mandated employee trainings.



RESOURCE PLANNING

Most employers **underestimate the workload** they are taking on when they leave their PEOs. It's important to not only consider current staff bandwidth, but also the expertise needed to perform the work. **In this section we identify the key responsibilities by skill set**, to help you ensure you are planning properly.

Responsibilities Requiring Payroll & Tax expertise:

- Processing of all payrolls including** regular and off-cycle payrolls, PTO tracking, resolve time card issues, track employee contribution limits, issue annual W-2, etc.
- Obtain tax** registrations in new states.
- Work with tax authorities** to resolve discrepancies, perform audits, respond to tax notices, etc.
- Process unemployment claims**, wage garnishments, 401(k) loans, court orders, etc.
- Manage transmission of funds** to 401(k), FSA/Commuter, and HSA employee contributions, and perform audits to confirm accurate contributions and account balances.
- Support employees with questions** or problems on their pay check, process requests for contribution changes, resolve deduction discrepancies, etc.



RESOURCE PLANNING

Responsibilities Requiring Compliance Expertise:

- Track and monitor Federal, State, and Local compliance laws** and take action as needed to keep company in compliance.
- Maintain updated compliance documents**, including Notices & Disclosures, for new hires and terminations for all states (requirements differ by state).
- Handle government reporting and filing requirements** such as EEO-1, ACA 1094C/1095C IRS filing, state-specific filings, etc.
- Track and administer** mandated employee trainings and re-trainings.
- Process all employee leave requests** and administer leaves including preparation of leave paperwork, employee communications, tracking of accommodations, coordinating with payroll, return to work authorizations, etc.
- Provide advice and guidance** on employee relations issues, sensitive terminations, performance issues, etc.

Responsibilities Requiring Technology Expertise:

- Support HR, payroll and benefits teams** with HRIS platform including technical issues, integrations, custom reporting, customizations, etc.
- Update/build all benefit plan data** and configure the Open Enrollment functionality of your benefits technology.
- Assist employees with technical issues** related to employee portal.
- Assist with implementation and ongoing support** of General Ledger file feed between HRIS and accounting software.



RESOURCE PLANNING

Responsibilities Requiring Benefits Expertise:

- Support employees with benefits questions**, enrollment assistance and claim problems.
- Process all benefits eligibility events including** new hires, changes, terminations and COBRA elections (if your company has fewer than 100 enrolled employees, most insurance carriers will not accept an electronic file feed (aka EDI file) from your technology vendor, so keep that in mind as you plan resources.
- Audit and reconcile monthly insurance** carrier invoices, and research and resolve discrepancies.



DATA GATHERING

Depending upon your PEO vendor, it may be difficult to obtain the data you need to migrate. It's best to **request everything early** in the process to avoid delays. **Specifically, you should request the following:**

- Detailed benefit plan summaries for every plan** in which at least one of your employees is enrolled. This is needed in order to do a gap analysis to evaluate where your current PEO benefits differ from your new benefits.
- Workers Compensation claims data** for the last 3-5 years or if your company has had no claims, you should ask for a "No loss" letter. This is needed to obtain competitive Workers Comp insurance bids.
- Electronic copies of all employee personnel** file documentation including I-9, offer letter, change notices/PANs, training certificates, leave of absence documentation, etc. You will need this data for historical purposes so it is suggested you obtain these documents for terminated as well as active employees.
- Obtain copies of existing court orders**, wage garnishments, and tax levies, if any, for current employees.
- Details of all leaves of absence for the last 12 months**, including any currently open leaves. This is needed to determine employee eligibility for future leaves since eligibility is often determined by all leaves taken in the prior 12 months.
- Details of any mandated employee training** completed by each of your employees with the dates of completion, and copies of the completion certificates.



DATA GATHERING

- Details of any existing** employee 401k loans.
- You will also need complete employee** demographic information including YTD pay and tax data, PTO balances, etc. You don't want to request this information too early in the process as you will need to provide the final data closer to the PEO service termination date. Your new technology and payroll vendor should provide you with a template of exactly what data you will need to provide.
- Determine if your PEO is paying any employees** under your company's State Unemployment Insurance (SUI) IDs. Most PEOs pay your employees under their FEIN and their SUTA IDs, but in some cases the PEO requires the employer to get their own SUI ID in certain states. It's important to have this information so you can plan for obtaining your own SUI IDs in the states where you pay employees.
- Determine if your current PEO** has a [Certified status from the IRS](#). If your PEO is not certified and you are not migrating on January 1st, then you may incur a tax "restart penalty".



KEY ROLES

These are the **roles that are critical to a successful migration**. If you work with a vendor that specializes in PEO migrations, they may provide all of these roles as part of their migration services, but you should **make sure that all of these roles are accounted for** regardless of how you're filling them.

- Project manager.** Ideally someone with experience with PEO migrations, or at least experience with implementing HR, benefits and payroll technologies.
- HR admin professional** to handle all of the time-consuming administrative work such as:
 - Extracting existing employee,** benefits enrollment, and pay data from current PEO technology, and convert into new technology vendor's required format.
 - Testing new employee** portal and auditing employee, payroll, and benefits data.
 - Supporting employees** with questions and assistance with new employee self-service portal, new benefits, and/or onboarding process.
- Experienced payroll** professional to:
 - Complete all of the necessary** State Unemployment Insurance (SUI) ID registrations for every state in which your company pays employees.
 - Oversee migration to the new payroll vendor,** ask the right questions, answer various payroll-related questions that come up during the implementation, etc.



KEY ROLES

- Perform parallel payroll testing during** the implementation process to ensure set up is correct and accurate.
- Audit data in new payroll system** to ensure accurate migration.
- Internal IT support** for support with migrating from your PEO's technology onto your new technology, and to support integrations and interfaces with other internal technologies.
- Benefits broker** or advisor/consultant to assist with evaluation, decision and implementation of new benefits program.
- Compliance expert** or attorney to give advice and guidance on all compliance related issues, create/update employee handbook, establish required documentation, etc.
- 401(k) advisor** to advise and implement your new 401(k) plan, if applicable.
- Workers compensation broker or advisor** to provide competitive quotes and implement new policy.



EXECUTION

The checklist items below represent **all of the actions necessary to migrate off of your PEO** as you build your own foundation for the tactical HR, benefits and payroll functions of your company. Many of these tasks may seem obvious, but it is not uncommon for obvious tasks to fall through the cracks. **Don't make the mistake of assuming your technology vendor's implementation team will be taking care of these actions.** This is your foundation so it's important to build it well so that it provides stability and consistency while reducing risk to your company.

Payroll:

- Complete new tax** registrations for:
 - State Unemployment Insurance (SUI) IDs** in all states in which you pay employees, or plan to pay employees.
 - Local Tax Withholding Account(s)** in all localities in which you pay employees.
 - State Income Tax Withholding Accounts.**
- Develop and/or review your time & attendance policies** for non-exempt employees, ensuring they are consistent with mandates for overtime, meal periods, rest periods, and failure to submit time card policy. Be aware that these policies are often different in each state.
- When configuring your new payroll technology** be sure to set up the following:
 - Deduction codes for any existing court** orders, wage garnishments, and tax levies, if any.



EXECUTION

- Domestic Partner (DP) Imputed Income** code and post-tax deduction codes, and make sure the calculation rules are correct (this is a common area for errors).
- Imputed Income code** for company-paid group life insurance for amounts in excess of \$50,000.
- If company offers employees the option to pay** the taxes on disability insurance premiums in order to receive a tax-free benefit, be sure to set up an imputed income code to accommodate this set up.
- Build your Cost Center and Division/Department** structure to match the needs of your finance and HR orgs.
- Load applicable YTD** earning, tax, deduction, fringe benefit, and employer-paid benefits amounts for all employees.
- Build your PTO accrual policies** in new technology and load current employee balances.
- Load your workers compensation class codes** and rates, and identify officers that are exempt from coverage, so you can run billing and audit reports.
- Load employee salary** and Job Title changes for historical reporting purposes.
- Once benefit plans are built**, connect the correct payroll deduction codes with the appropriate plans.
- Build and/or configure a General Ledger (GL)** integration or file feed for importing payroll data into your accounting software.



EXECUTION

- Build and configure the Time & Attendance feature** to conform with your company's payroll policies related to break periods, lunch periods, overtime, etc.
- Pay Grades/Bands** - If you aren't currently using Pay Grades to establish salary ranges for all job categories, you may want to consider creating them at the time of your implementation so you can import your existing employees into the appropriate Pay Grade.
- Once all employee and YTD data is loaded into the new system,** run reports from the current PEO technology and your new technology and do a thorough audit of all data to ensure accuracy.

Employee Benefits & Insurance:

- Perform a thorough gap analysis** to identify gaps in coverage that some employees may experience with your new benefits.
- Confirm your new Workers Compensation Insurance** policy is in place and effective on the appropriate date.
- Confirm your new Employment Practices Liability** insurance is in place and effective on the appropriate date.
- When configuring your new benefits technology** be sure to:
 - Create eligibility groups to ensure employees** see only the relevant benefit plans, premiums, and eligibility rules based upon which group they're in (IE - Part Time vs. Full Time, employee's home state, etc)



EXECUTION

- Build benefit plans and eligibility rules** into the employee on-boarding workflow.
- Create eligibility groups to ensure employees** see only the relevant benefit plans, premiums, and eligibility rules based upon which group they're in (IE - Part Time vs. Full Time, employee's home state, etc).
- Build the company's contribution formula** into the benefits module and test all employee and dependent enrollment scenarios to confirm accurate calculation of employee premiums.
- Design and build approval paths for specific** life events that will require approval (Marriage, divorce, new child, loss of coverage, etc).
- Build Open Enrollment rules** for the initial enrollments of existing employees.
- Ensure your technology vendor sets up EDI** feeds to all insurance carriers and benefits vendors.
- If your new technology vendor is not able to set up EDI for ALL** carriers and vendors, be sure to map out all workflows associated with how enrollments and employee contributions are going to be processed for **the following plans:**
 - 401(k)** - How are employee 401(k) rate elections updated in your payroll technology, how are contributions transmitted back to your 401(k) vendor, what is the timing, how often are these items being audited, and who does the research to resolve any discrepancies?



EXECUTION

- FSA/Commuter** - same questions as 401(k).
- HSA** - same questions as 401(k).
- COBRA** - How are all COBRA events triggered and reported to your COBRA vendor, what is the timing, how are enrollment processed, how are terminations processed?

- Be sure your technology vendor implements** the ACA Module (this is often an optional feature) if you are or plan to be more than 50 employees.

- Establish your ACA Measurement, Stability, and Administrative Periods**, define Safe Harbor elections, and perform Affordability, Minimum Essential Coverage, and Offer of Coverage testing to ensure compliance and avoid any penalty assessments.

- If you're not going live with your new benefits package** on January 1st, transfer all benefits enrollment data for YTD in order to have full calendar year data needed for ACA status determination and for ACA 1094C/1095C IRS filings.

- Once all employee benefits enrollment data has been imported into your new technology**, run reports from the current PEO technology and your new technology, and do a thorough audit of all data to ensure accuracy. It's also a good idea to audit this data against all of your carrier invoices to ensure all sources match.



EXECUTION

Compliance & Administration:

- Compliance Documents & Policies:**
 - Prepare and get legal review** of your Offer Letter template (even if you have one it's a good idea to get this reviewed every 2 or 3 years).
 - If you are creating a new handbook**, or making major revisions, it is recommended that you get an Employee Handbook acknowledgment form/e-signature from all existing employees.
 - Document and implement a Paid Sick Time Off** policy compliant with all states in which you have employees.
 - Establish legally compliant Leave of Absence (LOA)** policies that cover all types of leaves including state- and local-specific leaves for all states in which you have employees.
 - Prepare an annual **Compliance Calendar**.
- Create and maintain a cloud-based filing system** for employee personnel files as well as all compliance, benefits, payroll data, and other related documentation.
- Processes & Workflows:**
 - Perform an FLSA audit on all existing employees** and develop a new hire assessment process to make sure every new hire passes the FLSA criteria for proper classification as an Exempt vs. Non-Exempt employee.
 - Establish process, workflows**, and documentation for voluntary and involuntary terminations including protected class documentation, severance agreement templates, exit interview template, etc.



EXECUTION

- Establish process**, workflows, and documentation for new hires.
- Establish process**, workflows, and documentation for employee changes such as pay changes, promotions, performance improvement plans, etc.
- Establish a regimented process for ensuring** all COBRA qualifying events (including non-termination events that trigger COBRA) are communicated to your new COBRA administrator.
- Establish a process for tracking** all mandated trainings for employees, with triggers for re-training as needed.
- Establish and implement I-9 process** for local and remote employees to ensure compliance with the federal I-9 timing and documentation requirements.
- Establish and implement** a legally compliant HR filing structure (ideally in a cloud file storage technology) and file documents for current and future hires in the new structure.
- Establish an Immigration process for handling** current employees, and new hires, that have Visas.
- Establish a process and litmus** test for assessing all Independent Contractors to make sure they meet the DOL (Department of Labor) definition of Independent Contractor.
- Notices & Disclosures:**
 - Research local compliance ordinances** in all cities/counties in which you have employees for special requirements specific to that locale, and establish the processes needed to comply with any such ordinance (IE – San Francisco HCSO, New York Commuter Tax, etc.)



EXECUTION

- Define requirements, prepare, and distribute** all mandated compliance notices and employee acknowledgements for all states in which you have employees.
- Ensure all office locations** have current Labor Law posters posted in the appropriate community area.
- Update all Notices & Disclosures** that require specific information about your company's Workers Compensation Insurance policy (most states require that you list the insurance company name, policy number, and phone number).
- Create and distribute a Summary Plan Description (SPD)** WRAP document for your benefit plans to all employees.
- When configuring** your new HR technology be sure to:
 - Build out all HR, Benefits and Payroll** approval and notification processes using the technology workflow automation capabilities to ensure the appropriate people receive approval requests and/or notifications.
 - Build and configure the automated** onboarding process including e-I9, W-4, Direct Deposit, Benefits Enrollment, etc.
 - Load company's proprietary rights agreements** and any other company-specific documents new hires must sign and/or acknowledge.
 - Load mandated Notices & Disclosures** documents and configure the onboarding module to present the appropriate documents for employee acknowledgement.



EMPLOYEE ONBOARDING

When migrating off a PEO, you are basically re-hiring all of your employees onto your company's FEIN (Federal Employer ID Number).

This is a big change for your employees because they will have new benefits, a new employee portal, and they need to be "onboarded" as if they were new hires. Needless to say, clear and complete communication is important.

- Before notifying employees** be sure to thoroughly test the employee onboarding experience in your new HRIS employee portal.
- Obtain new I-9 forms** for all current employees (required when leaving a PEO since you are essentially re-hiring your employees).
- Confirm all employees** enroll in or waive all benefits for which they are eligible.
- Confirm all employees complete** any other onboarding steps you assign to them, such as signing a new handbook acknowledgement.
- Key information to include** in your employee communication:
 - Reasons** for making the change.
 - Information about** how to set up their account and log in to their new employee portal.
 - Why they need to complete** a new I-9, W-4 and direct deposit form.
 - Summary of the new benefits package** and coverages, and compare it with the current package and coverages so employees know exactly what is changing.



EMPLOYEE ONBOARDING

- Details of the FSA** (Flexible Spending Account) "Spend Down Period" leading up to the PEO termination date. It's important this is done with advanced notice to give your employees time to spend their balances prior to the deadline.
- Contact information** for help and support with anything related to the employee portal, benefits or payroll.
Information about the mobile app and/or employee portal with instructions for logging in, submitting PTO requests, clocking in and out for non-exempt employees, etc.
- If you are not migrating on January 1st**, communicate to the affected employees, how the tax restart will work for them (they will get any tax overpayments back when they file their next Federal tax return).
- Any other info you** decided to add to your new employee portal onboarding process.



COMPLIANCE CALENDAR

Once your migration is complete, you should **establish your Annual Compliance Calendar** for the year and assign responsibilities to ensure that all required actions are taken and completed by the due date. Some of these actions are mandated and some are best practices for staying in compliance:

- Annual 5500 Health & Welfare Plan Filing** - due seven months from end of your benefits plan year.
- Annual ACA 1094-C/1095-C IRS Filing** and distribute 1095-C forms to all employees - due in Feb/Mar each year.
- Prepare SPD/WRAP document update and distribute to employees** - generally required every 5 years, but some update annually.
- Conduct Annual FSA Non-Discrimination Testing** - recommended to perform a test twice a year; one close to the middle of the plan year, and another at the end of the plan year.
- Conduct Annual 401(k) Non-Discrimination Testing** - recommended to perform a test twice a year; once close to the middle of the plan year and another at the end of the plan year.
- Prepare Annual EEOC** (Equal Employment Opportunity Commission) EEO-1 Filing (100+ employees or Federal Contractor).



COMPLIANCE CALENDAR

- Complete Annual CMS** (Centers for Medicare & Medicaid Services) reporting requirement.
- Conduct annual FLSA audit** - recommended at year end.
- Conduct annual I-9 audit** - recommended at year end.
- Conduct semi-annual minimum wage audit** - recommended in July and January of each year.
- Conduct Annual** review of employees with work visas to determine if renewal is required - recommended at year end.



HOW MELITA CAN HELP

Melita is the **first complete HR, benefits, and payroll outsourcing solution** with **complete flexibility of services**, **extraordinarily high service quality**, and **industry-leading, non-proprietary all-in-one HRIS technology**.

Rather than reinventing the wheel by developing our own HRIS software, we have mastered the technology platforms of **Rippling** and **ADP Workforce Now**, allowing us to implement, configure, and support either of those technologies for our clients.

This gives our clients complete control of their HRIS technology platform, but we manage it for them, and we integrate **our HR, payroll, and benefits services seamlessly into the technology**.

We specialize in helping employers migrate off their PEOs

without disruption to their business operations, as we help them build their own HR, payroll, and benefits infrastructure. We can then administer all, or part, of that infrastructure until our client is ready to bring the work in-house.



HOW MELITA CAN HELP

Our Solution Is Complete, Flexible & Turnkey

Step #1 - Choose your technology platform

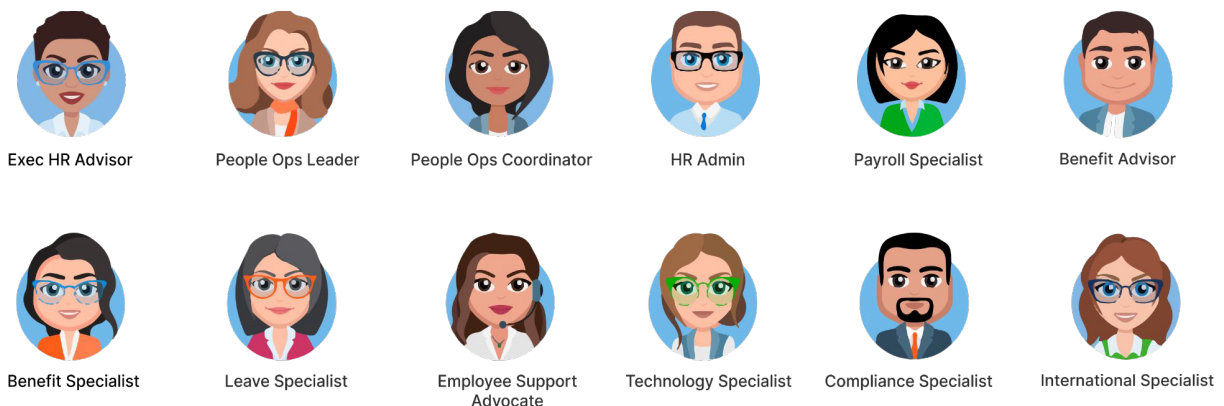


Step #2 - Choose what service modules you need



Step #3 - Meet your Melita Fractional Team of experts

Your dedicated team will manage the entire migration project including implementation of your new technology and transition of services.



Step #4 - Focus 100% on running your business

We do what we do best, and you focus all of your valuable time and resources on what you do best; building your business!





...Go Ahead...
We'll Catch
You!

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Or A Fast, Free Quote,
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