

# CLARITY STRATEGIC PARTNERS

## How to Transition Away from a PEO: A Step-by-Step Guide

Taking back control of your HR, payroll, and benefits operations? Here's how to ensure a seamless and compliant transition from your PEO provider.

### PAYROLL PREPARATION

- ESTABLISH WITHHOLDING ACCOUNTS:** Set up federal and state tax withholding accounts if they're not already in place.
- UNEMPLOYMENT TAX ACCOUNTS:** Open federal (FUTA) and state (SUTA) unemployment tax deposit accounts. Consult with state agencies to confirm your rates post-PEO.
- SELECT A PAYROLL PROVIDER:** Partner with a new payroll provider and define a transition process, including payroll history migration and future processing.
- COLLECT LEGAL WITHHOLDING DATA:** Obtain records of court orders, wage garnishments, and tax levies from the PEO. If they're uncooperative, work directly with employees to gather this information.
- TRAIN SUPERVISORS:** Prepare your team to use the new system, especially field supervisors. Ensure duties such as time-tracking are well-aligned with roles and company culture.
- PRE-LAUNCH PRACTICE:** Monitor supervisor engagement with the new system before the official launch to ensure readiness.
- INVOLVE IT:** Engage internal IT staff to ensure integration with existing systems.
- AUDIT TIME-OFF BALANCES:** Confirm the accuracy of time-off accrual formulas, balances, and non-standard policies before transferring data.
- DATA PRIVACY ASSURANCE:** Request written confirmation from the PEO regarding their ongoing safekeeping of employee identity information.
- PAYROLL DEDUCTION FORMS:** Gather all forms related to payroll deductions and reductions.
- RUN PARALLEL PAYROLLS:** Test the new payroll system alongside the PEO to ensure consistency and accuracy.
- PLAN FOR MID-YEAR CHANGES:** Understand how mid-year transitions can affect employees' taxable income and reporting.

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### HR DEPARTMENT READINESS

- OBTAIN ESSENTIAL DOCUMENTS:** Request employee tax withholding forms (W-4S) and I-9S from the PEO. If unavailable, employees must complete new ones.
- ACCESS EMPLOYEE RECORDS:** Collect performance documentation and termination records for compliance and historical reference.
- BUILD PERSONNEL FILES:** Set up comprehensive personnel files — digital, physical, or both.
- IMPLEMENT COMPLIANCE TOOLS:** Establish systems for tracking FMLA, COBRA, ACA, and other regulatory compliance requirements.
- BENCHMARK COMPENSATION:** Identify resources for market-based compensation data to guide salary decisions.
- SECURE WORKERS' COMPENSATION:** Ensure active coverage and define a process for managing current and pending claims to avoid benefit disruptions.

### COMPLIANCE CONTINUITY

- KNOW YOUR REPORTING OBLIGATIONS:** Identify all applicable reporting requirements (EEOC, OSHA, VETS-100, etc.).
- DISPLAY REQUIRED NOTICES:** Ensure all legally mandated workplace posters and notices are accessible to employees.
- MEET ERISA REQUIREMENTS:** Confirm all necessary ERISA documents (SPD, wrap documents, and filings) are updated and compliant.
- TRACK ACA COMPLIANCE:** Establish an internal ACA compliance tracking process and stay current with all federal, state, and local mandates.

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### BENEFITS TRANSITION

- REVIEW CARRIER OPTIONS:** Decide whether to stay with current benefits providers (medical, dental, vision, life, disability) or move to new ones.
- MANAGE ENROLLMENT TIMING:** Coordinate open enrollment or mid-year transition to ensure no lapse in coverage.
- ENSURE COBRA COMPLIANCE:** Set up an administration process to manage COBRA requirements.
- ENGAGE BROKERS OR CARRIERS:** If switching, develop new relationships with brokers or providers.
- COMMUNICATE CLEARLY:** Inform employees of any benefit changes, enrollment procedures, and coverage start dates in advance.

### Why Unbundle from a PEO?

- Regain control over your vendors & costs
- Increase transparency in payroll, benefits, & compliance
- Customize your HR tech stack for growth
- Eliminate hidden fees & one-size-fits-all limitations

### Why Choose Us?

- 100% independent & platform-neutral
- Deep experience across HR, payroll, & benefits
- Focused on long-term ROI, not quick fixes
- Hands-on support from discovery to go-live