

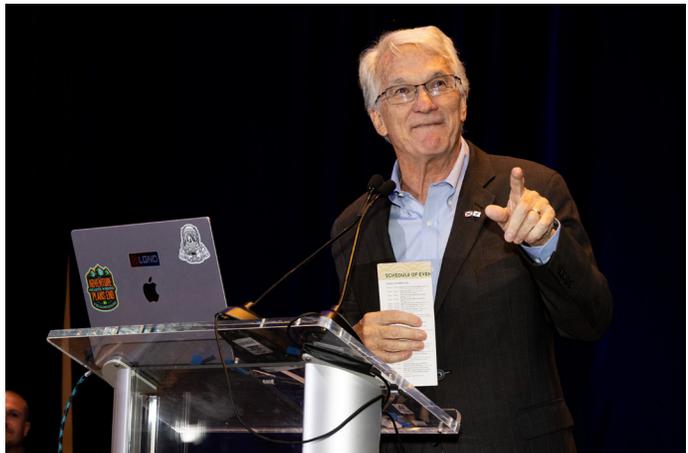


FRONT CENTER



National Association of Professional Employer Organizations

2023 Annual Report





ADVOCACY

2023 was the year of PEO. Now more than ever, it's vital that PEOs have a seat at the table, and a hand in creating the best regulatory environment for our industry to grow and prosper. This year, we made significant progress at the state and federal levels, securing many key wins across our legislative priorities.

No issue has rallied the NAPEO community more this year than the Employee Retention Tax Credit (ERTC). It's an issue we've owned from the time the backlog of claims barely cracked six digits. We've taken it upon ourselves to be the leading industry champion, fighting on behalf of small and mid-size businesses through grassroots letters, media placements, and shoe leather lobbying on Capitol Hill as the IRS has allowed legitimate ERTC claims to languish.

In February, we intensified our congressional grassroots letter campaign, which has yielded nearly 2,000 letters from you and your clients. These letters tell gripping stories of layoffs, additional high-interest loans, and imminent closure should these deserved funds not arrive in expedited fashion. We also launched ertcdelayshurtsmallbiz.com to show real-world examples of the impact of ERTC delays on small and mid-size businesses, the backbone of America's economy.

Our campaign has had a noticeable impact on members of both the House and Senate: we've landed scores of meetings with lawmakers on both sides of the aisle who are now aware of the harsh realities facing their constituents. Thanks to our ongoing efforts to build relationships on Capitol Hill, Reps. Beth Van Duyne (R-TX), Claudia Tenney (R-NY), Suzan DelBene (D-WA), and Erin Houchin (R-IN) have become formidable allies through this process. Our messaging campaign has made it clear: there is no partisanship when it comes to helping small businesses.

Our most memorable moment was in July when NAPEO President & CEO Pat Cleary took the national stage, testifying before the powerful House Ways and Means Committee's Oversight Subcommittee. Pat made an indelible impression on lawmakers from both sides of the aisle, and our figures and statements for the record were a key part of lawmakers' questioning. It was a hearing that came to fruition as a result of our collective rallying cry.

Ways and Means would go on to send a letter to the IRS Commissioner demanding a plan from the agency on what is being done to clear the still-increasing backlog, one that prominently featured Pat's July testimony. Our public pressure also played a part in the IRS's decision to dedicate additional staff to clear the backlog and its September moratorium on new ERTC claims to focus on clearing existing ones. While this process is far from over, we are in it for the long haul. The drumbeat continues until each and every PEO client receives the money to which they are entitled.

Our members play a vital role in our government affairs strategy, helping us spread the good news about PEOs and their positive impact on small and mid-size businesses. In conjunction with this year's PEO Capitol Summit and National PEO Week, we hosted PEO Advocacy Day, where our members had the opportunity to visit Congressional offices and share their stories. In total, NAPEO members attended 73 meetings on Capitol Hill with eight of those being at the member level – the largest number in our history.



Kentucky

Two key bills made their way through the Bluegrass State's legislature and to the governor's desk for signature this year. At the start of the year, we successfully pushed for passage of a bill that delayed the implementation of the updated Kentucky PEO registration bill signed into law ten months earlier. Our second big win was the passage of a bill allowing PEOs to report their state unemployment insurance tax at either the PEO level or at the employer level beginning in 2025. This clarifies language from the NAPEO Model Act passed in 2022 and provides much-needed flexibility for our members doing business in Kentucky.



New Mexico

Our tenacious and tireless efforts to preserve the ability for PEOs to sponsor large group health plans in New Mexico paid off when Gov. Michelle Lujan Grisham signed into law the NAPEO-supported bill that does just that. Filed as a legislative solution to the New Mexico Office of Superintendent of Insurance's August 2022 proposed rule that would have prevented a PEO from collectively sponsoring large group plans for its clients, its passage was a win for the industry.



Texas

In Texas, we quickly mobilized against legislation that would have required PEOs to be licensed as money transmitters, placing an undue regulatory burden on the industry that is already licensed and regulated by the Texas Department of Licensing and Regulation (TDLR). Working with the Conference of State Bank Supervisors (CSBS), we helped secure a crucial correction, ensuring that PEOs maintain their exemption to the money transmitter rules. The final bill, with the PEO exemption intact, passed in May.

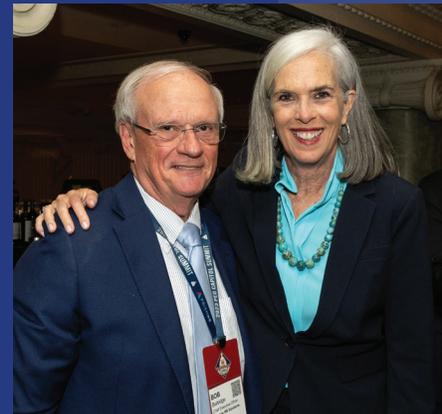


Maine

NAPEO scored a big win in Maine this year when the state accepted our suggested amendments to the final rules for its state-run retirement program, MERIT. The NAPEO-supported amendments clarified the definitions for multi-party employment relationships involving a PEO and application of the new employer mandate at the client level.

We also heard from five lawmakers on some of the most critical issues to PEOs today – Reps. Suzan DelBene (D-WA), Erin Houchin (R-IN), Claudia Tenney (R-NY), Mike Thompson (D-CA), and Beth Van Duyne (R-TX) addressed our luncheon, with Rep. Wesley Hunt (R-TX) speaking with us at the kick-off breakfast.

NAPEO PAC, our federal political action committee, has helped us deepen our outreach to lawmakers and support the campaigns of those in Congress who support the PEO industry. Our PAC remains strong this year, with more members joining the restricted class to receive information, make donations, and participate in PAC activities. We are on track to meet our fundraising goals for this election cycle, having raised nearly \$100,000 for the PAC in 2023.





23

NATIONAL PEO WEEK

MAY 21-27 2023



NATIONAL PEO WEEK

PEOs play a key role in the success of small businesses across the country, powering more than 200,000 small and mid-size businesses in the United States. Your hard work deserves to be recognized, which is exactly what we did this year by creating National PEO Week.

Held during the third week of May during this year's PEO Capitol Summit, National PEO Week was our opportunity to share the PEO story far and wide, raising awareness among lawmakers, small businesses, and the general public. Thanks to Rep. Erin Houchin (R-IN), National PEO Week was recognized in the federal Congressional record on April 17, 2023. We also received recognition from the National Day Organization, which approves just 30 requests from 25,000 applications annually. From now on, the third full week of May will be known as National PEO Week. Multiple states also passed proclamations in honor of National PEO Week.

At PEO Capitol Summit, we took the opportunity to celebrate with our members by imbuing National PEO Week into the conference's program. At PEO Advocacy Day on Capitol Hill, National PEO Week was the perfect talking point as our members sat down with lawmakers and discussed the importance of PEOs in their local communities. We also distributed t-shirts and hats for attendees to wear to the evening event at Nationals Park – we were everywhere!

But that didn't mean our members at home missed out on the fun – we created plenty of resources to ensure that everyone could join in on the celebrations. We opened a limited-time merch store full of PEO Week-branded clothing and accessories so our members and their clients could take part in the festivities. We also created a comprehensive toolkit consisting of talking points for various target audiences, customizable social media graphics for your use on digital channels, a sample op-ed about National PEO Week to submit to local publications, and more. Equipped with these resources, the NAPEO community banded together to commemorate this occasion and raise the visibility of our industry.

From PEO Advocacy Day to your celebrations at home, thank you for joining us in our celebration of everything PEOs do for their communities, and the economy at large.





MARKETING

Eleven years ago, we began our marketing efforts with a \$50,000 budget and the goal of introducing small business owners to the PEO model. Since then, we've made great strides towards achieving this goal, but there is still more ground to cover. This year, we focused our efforts on our ongoing awareness campaigns and member resources, all with the aim of showing small businesses how much they stand to gain from partnering with a PEO.

Our national ad campaign, *Bad Idea. Good Idea.* continued this year, with nine new concepts comparing running your business without a PEO to something silly, such as drying your hair with a leaf blower. In addition to our ongoing video ads, we also introduced static ads and branched out into podcast ads to reach business owners in environments that would not have been possible previously. The results are impossible to overlook – we've generated millions of impressions across the Google Display Ad Network, Spotify, LinkedIn, and YouTube, and traffic to the 'Find a PEO' page on our website has increased by 45% this year alone. Additionally, our annual survey of 500 business owners to gauge industry awareness has shown that PEO awareness is up by 44% from when we first started measuring it in 2018.

On the market research front, we undertook a comprehensive research project exploring the topic of co-employment and how to best introduce the concept to prospective clients. We first ran in-depth interviews with business decision-makers (BDMs) to learn more about their initial thoughts, later reactions, and recommendations for when the concept should be introduced in the sales process. We then used that information to conduct focus groups with BDMs across the country, diving deeper into their thoughts on how co-employment is best understood and explained.

This year also saw the unveiling of our new white paper, a refreshed industry footprint showing the impressive growth of PEOs through the pandemic and beyond. We're also diving deeper into our industry research by exploring how PEOs fare during a recession, a topic that has been top-of-mind for many recently. We hope this research will give you the tools you need to continue telling the PEO story, unpacking its many intricacies in an accessible way for business owners everywhere.

PEO Insider has come to be one of our most recognizable member resources. Now, you can access your favorite PEO magazine online, too – we recently launched a brand-new website where you can read the industry's leading publication in a sleek, modern digital format. Readers can now benefit from improved navigation and an upgraded search functionality, allowing easy access to many years of past articles. We're also proud to announce that *PEO Insider* is an award-winning publication, receiving a Gold TRENDY Award from Association Trends earlier this year. We stood out as the leading trade association publication among dozens of entries, and this is just the beginning.





208,000
PEO Clients

523
PEOs in U.S.

4.5 million
WSEs

\$225 billion
2022 941s



\$305 billion
industry revenue

7.5%
annual average
industry growth rate



17%
of all businesses with
10 to 99 employees use a PEO

\$82,600

donated by members to NAPEO
PAC

\$317,500

raised for Give Kids the World
through NAPEO Gives Back

233

PEO members

228

associate members



16

Leadership Council Forums

35

Webinars

3,077

People tuned into NAPEO
webinars



EDUCATION

One of the hallmarks of the PEO industry is our desire to collaborate and learn from one another. It's a trait unique to us, and one that NAPEO nurtures by creating timely, relevant education as well as meaningful opportunities to connect and network. This year, we focused our educational content on providing members with the most up-to-date information and prompt resources, all to help you navigate the ever-evolving PEO landscape.

While we gather in Washington D.C. for PEO Capitol Summit every year, the energy surrounding this year's conference was noticeably different. There was a feeling of excitement among attendees, and for good reason – this was no ordinary NAPEO event. This year, we celebrated the first National PEO Week during PEO Capitol Summit, making quite a splash in our nation's capital. From our appearance on Capitol Hill through PEO Advocacy Day to our evening event at Nationals Park, we pulled out all the stops to create an unforgettable experience for our attendees.

This excitement carried straight into our Annual Conference & Marketplace, bringing us to the "Happiest Place on Earth" this year. While we were originally slated to gather in Denver, an unplanned renovation forced us to pivot quickly. This still didn't slow us down, and thanks to the hard work of our events team, we found ourselves at the Gaylord Palms in Orlando instead. Both events garnered record attendance for the second year in a row, a sign that our industry and community has continued to expand.

As our in-person events have evolved and expanded to meet our membership's needs, so have our virtual offerings. This year, our comprehensive collection of webinars aimed to bring you the most up-to-date information in bite-sized pieces, covering a range of topics relevant to the PEO industry. This year, more than 3,000 members tuned in to 35 webinars. We hope our webinars and educational resources have helped you learn more about the evolving landscape, and will continue to provide you with meaningful information to run your PEO.





MAY 21-27 2023





MEMBERSHIP

Our members are at the root of everything we do. Whether it's our advocacy efforts, industry awareness campaigns, or educational offerings, we always look to provide you with the resources and support to make your membership well worth it. This year was one of transformation and growth for NAPEO's member engagement initiatives, as we launched several campaigns aimed at appreciating our members and their many achievements. We were hard at work with one goal in mind – making NAPEO a place where our members are happy to be.



We created new ways to connect with our membership on social media through campaigns such as Member Monday and Testimonial Tuesday. These posts highlight a new member each week, recognizing their contributions to the industry and explaining why they love being a part of it. We also continue to celebrate your company's milestones and achievements, spotlighting them through our social media channels, newsletters, and publications.



Our affinity groups, Women in NAPEO (WIN) and NextGen, have continued to flourish since their introduction in 2021. In September, WIN hosted the first "WIN Week" celebrating women in the PEO industry in observance of American Business Women's Day. NextGen, aimed at providing PEO professionals under 40 a space to connect as future industry leaders, also continues to provide meaningful resources to younger members through events like our summer webinar series.



For our fifth year of the NAPEO Gives Back initiative, we partnered with Give Kids the World Village, an organization that provides magical theme park experiences to children with critical illnesses and their families. GKTW allows the kids to take a break from critical care treatments so that they can just be children, experiencing joy and making unforgettable memories. This year, we raised more money than ever before, with 120 NAPEO members coming together to raise \$317,482 for Give Kids the World Village. Our donation will bring the joy of Christmas to critically ill children and their families year-round through a remarkable initiative to install millions of LED lights throughout the village's sprawling campus, creating a sparkling winter wonderland every day. This brings our grand fundraising total to over \$750,000 since the program's inception in 2019.

NAPEO's membership is thriving, and we only have you to thank for it. We're looking forward to another successful year for our members, and can't wait to continue our engagement initiatives next year.







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