

Sample Company #1



April 6, 2005

**Subject: PEO Business Impact and Proposal Analysis**

Your StaffMarket Request for Professional Employer Organization (PEO) proposals has resulted in one or more PEO options for your company. To assist your decision in selection of a PEO services provider we have prepared the attached analysis.

This analysis reviews your current costs and compares those costs with the projected cost if you were to engage each PEO. This analysis is only as accurate as the data you have provided to us. If you have provided us with your current cost (Work comp rates, SUTA, etc.) we have used those values in this analysis. If not, then we have used standard values or our own assumptions. If you would like this analysis revised based on different assumptions, please contact us and we can revise as necessary.

This analysis focuses on your current costs and the pricing being offered by responding PEOs. It does not reflect other considerations that may be important to your company. While pricing is always a factor, it is often not the most significant consideration. Each PEO has varying levels of support for HR services and technology capabilities that are not reflected in this cost analysis. Making a decision solely on price may not be the best option for your company.

Thank you for letting StaffMarket assist with your review of HR Outsourcing options for your company. Please contact me when you are ready to review the analysis and we will be glad to explain our findings.

Sincerely,

**StaffMarket Services**  
**431 12th Street West - Bradenton, Florida 34205**  
**941-750-9450 extension 0**

**Professional Employer Organization  
Business Impact / Cost Analysis**

Prepared for

**Sample Company #1**

4/6/2005

Prepared by: StaffMarket  
StaffMarket Services  
431 12th Street West - Bradenton, Florida 34205  
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## Employment Related Current Cost Analysis

RFP Prepared for:

Sample Company #1

PEO Quote #4  
80

Annual Payroll<sup>2</sup>  
\$ 1,225,640

Employee Turnover<sup>3</sup>  
25%



To effectively evaluate outsourcing solutions for your company it is critical to understand your current employer related costs. This worksheet has been custom prepared to help you understand your major HR cost drivers. Values used for this analysis are based on the information you provided to StaffMarket in your Request for Proposal (RFP) or on industry standard rates. If you would like us to adjust any of these variables, please contact your StaffMarket account executive for a revised analysis.

### "A" Costs - FICA, Federal and State Unemployment

	Rate	State	EE Count	Per EE Cap	Base	Annual Cost
FICA <sup>4</sup>	6.200%	NA	80	\$ 90,000	\$1,225,640	\$ 75,990
Medicare <sup>5</sup>	1.450%	NA	80	None	\$1,225,640	\$ 17,772
Federal Unemployment <sup>6</sup>	0.800%	NA	80	\$7,000	\$ 700,000	\$ 5,600
State Unemployment <sup>7</sup>	3.300%	TN	80	\$7000	\$ 700,000	\$ 23,100
<b>"A" Costs Total<sup>8</sup></b>						<b>\$ 122,461</b>

**Estimated Annual Costs**

**\$ 122,461**

#### Important Analysis Assumptions:

- 1) No individual employee will make more than the FICA max (\$90,000). Payroll values are averaged over all employees.
- 2) Employee turnover will cause SUTA costs to rise since new employees must reach the cap. Your base has been adjusted for turnover.

The cost of FICA (employers portion) is set at 6.20%, Medicare is set at 1.45% and Federal Unemployment (FUTA) is set at .80% of gross wages per federal law. Your State Unemployment Tax rate (SUTA) will vary based on your actual unemployment claims history and is cutoff after the SUTA wage base has been reached for each employee in your state. Each state has differing base amounts and min and max rates. Contact your StaffMarket Account Executive for more details about this calculation.

### "B" Costs - Administrative<sup>9</sup>

For your analysis we have estimated your cost	Cost / Employee \$ 1,000	Number of Employees 80	Cost 80,000
<b>"B" Costs Total<sup>10</sup></b>			<b>\$ 80,000</b>
Calculated rate =			6.53%

The following table represents the estimated average companies administrative costs and was compiled using data from the U.S. Department of Labor and the U.S. Small Business Administration.

Type of Regulation	Less than 20 Employees			
	All Firms	20-499 Employees	500+ Employees	
Workplace	\$ 779	\$ 829	\$ 873	\$ 698
Tax Compliance	\$ 665	\$ 1,202	\$ 625	\$ 562
<b>Estimated Costs</b>	<b>\$ 1,444</b>	<b>\$ 2,031</b>	<b>\$ 1,498</b>	<b>\$ 1,260</b>
<b>Source</b>	SBA	<a href="http://www.sba.gov/advo/research/rs207tot.pdf">http://www.sba.gov/advo/research/rs207tot.pdf</a>		

Every business manager should read this report.

It can be difficult to precisely calculate your company's administrative costs but an accurate estimate is possible. Your overhead includes the cost of things like payroll processing, computer software, checks, check reconciliation, court payments and tax deposits. In addition other tasks include, W2 preparations, 940 and 941 reporting, Workers' compensation reporting, claims administration, audits and hearings. For a full list of required activities and the cost estimate, see **Appendix A** of this analysis.

### "C" Costs - Workers' Compensation Insurance<sup>11</sup>

Information Source	Employers Policy	Note: Wage base amounts have been revised from the current Amerisure policy base amounts.
Your Mod Rate <sup>12</sup> =	1.00	(included as 12% discount on each state)
Other Discounts <sup>13</sup> =	0.00%	See state detail

Description	Code	State	Base Rate	Wage / Base	WC Cost
<b>Tennessee</b>					
Club- Country, Golf, Fishing	9060	TN	2.9100%	\$ 1,225,640	\$ 35,666
Wage Base SubTotal				\$ 1,225,640	\$ 35,666
Modifier Adjustment			36.0000%	\$ 35,666	\$ 12,840
<b>Tennessee Totals</b>					<b>\$ 48,506</b>

**Total Work Comp "C" Costs** **\$ 48,506**

Rates for Workers' Compensation insurance vary based on the type of work being performed and your company's claims history. It also is charged based on the wage base for each type of work being performed. Each state has different requirements for employers regarding Workers' Comp insurance coverage. If you have provided StaffMarket with a copy of your current policy or DEC page (declarations of coverage) we have used those actual values for this analysis. If not, we have used standard (manual) rates for these calculations. No consideration has been given in this analysis for premium plans or deductible plans. Contact your StaffMarket Account Executive for more details about this calculation.

### "D" Costs - Employee Benefits and Health Insurance

Health insurance costs are not included in this analysis due to the variability of options and plans. Please contact us if you would like us to assist with health insurance evaluations.

**Total Employer Related Costs<sup>20</sup>** **\$ 250,967**  
**Total Employer Related Costs (plus wages)** **\$ 1,476,607**

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See attached Glossary for detailed line item explanations.

**Glossary of Terms and Explanations**  
**Current Cost Analysis**

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- 1) **Number of Employees**  
As you defined on your StaffMarket RFP
- 2) **Annual Payroll**  
As you defined on your StaffMarket RFP
- 3) **Employee Turnover**  
Estimated by StaffMarket based on average turnover for businesses in your industry. Since State Unemployment (SUTA) is paid until the cutoff is reached for each employee, a higher turnover creates higher costs for your SUTA.
- 4) **FICA – Federal Insurance Contributions Act**  
Per federal laws – Must be paid on the first 6.2% (2005) of earnings for all employees until the employee has reached the \$90,000 (2005) cap. Your cost analysis assumes that no employees will reach this cap. This cost is your employer matching payment and does not include your employee's tax withholding costs.
- 5) **Medicare**  
Per federal laws – must be paid on 1.45% of all wages
- 6) **Federal Unemployment – FUTA**  
Fixed at .8% of gross wages and is capped at \$7,000.
- 7) **SUTA - State Unemployment Rate**  
Your State Unemployment Tax rate (SUTA) will vary based on your actual unemployment claims history and is cutoff after the SUTA wage base has been reached for each employee in your state. Each state has differing base amounts and min and max rates. New business rates are usually rated at 2.7%. We have estimated your annual cost by multiplying the number of employees by the cap amount and adjusting for employee turnover.
- 8) **"A" Costs Total**  
Total employers costs of statutory taxes.
- 9) **Administrative Costs**  
This amount is our estimated cost of administrative duties related to being an employer. Please see Appendix A for a breakdown of these costs.
- 10) **"B" Costs Total**  
Your company's administrative costs rate multiplied by your annual wages.
- 11) **Workers' Compensation Insurance**  
Cost related to providing workers' comp coverage for your employees. This insurance is required in most states and costs are based on the type of work being performed (work comp codes) and your company's claims history. Costs are based on the amount of wages (work being performed) in each classification. For a full discussion contact your StaffMarket account executive.
- 12) **Mod Rate – Work Comp Rate Modifier**  
This is a multiplier number that effectively adjusts the rate you must pay, up or down based on your claims history. A higher number (greater than 1.0) indicates a high rate of claims. A lower rate (less than 1.0) indicates you have a lower claims history than other businesses doing similar work and your rate is adjusted downward. You should see your current mod rate listed on your work comp policy.
- 13) **Other Discounts**  
You may be getting other discounts for programs like "drug free workplace" offered by certain insurance carriers.
- 14) **Work Comp Code**  
Coded classification for the type of work being performed. Your current work comp policy declarations page (DEC page) should identify the current classifications for your employees and the rates you are being charged. If you are unsure of the correct classifications, call your StaffMarket account executive for clarification.
- 15) **State – Work Comp**  
State the work is being performed in. If you have employees in multiple states, you should ensure that each column on this sheet reflects those states.
- 16) **Base Rate**  
Either the current rates you have identified to StaffMarket or the Manual rates for your state (in states with manual rating systems).
- 17) **Effective Rate**  
Your current rate multiplied by your Mod factor and reduced for any discounts.
- 18) **Wages in Code**  
As defined on your StaffMarket RFP
- 19) **"C" Costs Total**  
Total costs for workers' compensation insurance for you company based on the classifications you have defined, the amount of wages in each classification and adjusted for any discounts you may currently have.
- 20) **Total Employer Related Costs**  
This is a summary of all the cost identified in the categories above and reflects your companies employer related costs.

**StaffMarket PEO Quote Analysis**  
**PEO Quote provided from:**  
**PEO Quote #1**



RFP Prepared for:

4798 Sample Company #1      Number of Employees      Annual Payroll  
 80      \$ 1,225,640

Quote Expires on      **Yes**  
 Subject to Final Underwriting?

See Current Cost Analysis Page

	Proposed Cost	Current Cost	Savings
Included	\$	122,461	
Included	\$	80,000	
Included	\$	48,506	

"A" Costs - FICA, Federal and State Unemployment

"B" Costs - Administrative

"C" Costs - Workers' Compensation Insurance

**Bundled PEO Services Costs**

		<i>Before SUTA/FUTA Cutoffs</i>						<i>After SUTA/FUTA Cutoffs</i>				
Description	Code	State SUTA/FUTA Base	EE Count	Total Wages	SUTA Subject Wages	Pre Cutoff Quoted Rate	Pre Cutoff Cost	After SUTA Cutoff Wages	After Cutoff Quoted Rate	Post Cutoff Cost	Total Cost	
<b>Tennessee</b>												
TN	Club - Country	9060	\$7000	80	\$ 1,225,640	\$ 560,000	21.4540%	\$ 120,142	\$ 665,640	17.3540%	\$ 115,515	\$ 235,658
Tennessee Totals											\$ 235,658	\$ 235,658
			80	\$ 1,225,640								

**Total Bundled PEO Costs**

Totals  
 Total employer related costs (plus wages) with PEO Quote #1  
 Total percent saved

\$ 235,658	\$ 250,967	\$ 15,310
\$ 1,461,298	\$ 1,476,607	
16.13%	17.00%	0.87%

**Total annual savings (cost) offered by this**

This analysis is an estimate only. Your actual costs will be higher or lower based on your company's actual experience and/or additional fees that may be charged by this company. StaffMarket makes no guarantees regarding the accuracy of this analysis and we advise you to review each company's client services agreement for additional pertinent information to assist with your choice of vendors. StaffMarket has prepared this analysis as a courtesy to your company and advises you to undertake your own due diligence prior to engaging this company.

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**StaffMarket PEO Quote Analysis**  
 PEO Quote provided from:  
**PEO Quote #2**



RFP Prepared for:

4798 Sample Company #1      Number of Employees      Annual Payroll  
 80      \$ 1,225,640

Quote Expires on      **Yes**  
 Subject to Final Underwriting?

See Current Cost Analysis Page

	Proposed Cost	Current Cost	Savings
Included	\$	122,461	
Included	\$	80,000	
Included	\$	48,506	

"A" Costs - FICA, Federal and State Unemployment

"B" Costs - Administrative

"C" Costs - Workers' Compensation Insurance

**Bundled PEO Services Costs**

						<i>Before SUTA/FUTA Cutoffs</i>			<i>After SUTA/FUTA Cutoffs</i>			
						SUTA	Pre Cutoff	Pre Cutoff	After SUTA	After Cutoff	Post	Total Cost
						Subject	Quoted	Cost	Cutoff	Quoted	Cutoff	
Description	Code	State SUTA/FUTA Base	EE Count	Total Wages		Wages	Rate		Wages	Rate	Cost	
<b>Tennessee</b>												
TN	Club - Country	9060	\$7000	80	\$ 1,225,640	\$ 560,000	20.1200%	\$ 112,672	\$ 665,640	17.1200%	\$ 113,958	\$ 226,630
Tennessee Totals												\$ 226,630

**Total Bundled PEO Costs**

Totals  
 Total employer related costs (plus wages) with PEO Quote #2  
 Total percent saved

\$ 226,630	\$ 250,967	\$ 24,338
\$ 1,452,270	\$ 1,476,607	
15.61%	17.00%	1.39%

**Total annual savings (cost) offered by this**

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**StaffMarket PEO Quote Analysis**

*PEO Quote provided from:*

**PEO Quote #3**



RFP Prepared for:

4798 Sample Company #1

Number of Employees	Annual Payroll	Employee Turnover <sup>3</sup>
80	\$1,225,640	25%

Quote Expires on Subject to Final Underwriting? **Yes**

See Current Cost Analysis Page

**"A" Costs - FICA, Federal and State Unemployment**

	Rate	Basis State	Annual Cost EE Count	Per EE Cap	Base	Annual Cost
FICA <sup>4</sup>	6.200%	NA	80	\$ 90,000	\$ 1,225,640	\$ 75,990
Medicare <sup>5</sup>	1.450%	NA	80	None	\$ 1,225,640	\$ 17,772
Federal Unemployment <sup>6</sup>	0.800%	NA	80	7,000	\$ 700,000	\$ 5,600
State Unemployment <sup>7</sup>	2.700%	TN	80	\$7000	\$ 700,000	\$ 18,900

"A" Costs Total<sup>8</sup>

Proposed "A" Costs Total

\$ 118,261

Proposed Annual Cost	Current Annual Cost (estimated)	Savings
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\$ 118,261	\$ 122,461	\$ 4,200
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**"B" Costs - Administrative**

Tennessee Totals	Rate	Basis	Cost
Administrative Fee	2.35%	\$ 1,225,640	28,803

28,803	\$ 80,000	\$ 51,197
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**"C" Costs - Workers' Compensation Insurance**

Description	Code	State	Base Rate	Wage / Base	WC Cost
Club - Country	9060	TN	3.2000%	\$1,225,640	\$ 39,220
Wage Base SubTotal				\$1,225,640	\$ 39,220
Tennessee Totals					\$ 39,220 \$ 39,220

**Total Work Comp "C" Costs**

\$ 39,220	\$ 48,505.93	\$ 9,285
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Rates for Workers' Compensation insurance vary based on the type of worked being performed and your company's claims history. It also is charged based on the wage base for each type of work being performed. Each state has different requirements for employers regarding Workers' Comp insurance coverage. If you have provided StaffMarket with a copy of your current policy or DEC page (declarations of coverage) we have used those actual values for this analysis. If not, we have used standard (manual) rates for these calculations. No consideration has been given in this analysis for premium plans or deductible plans. Contact your StaffMarket Account Executive for more details about this calculation.

**"D" Costs - Employee Benefits and Health Insurance**

Health insurance costs are not included in this analysis due to the variability of options and plans. Please contact us if you would like us to assist with health insurance evaluations.

**"E" Costs - Miscellaneous PEO Charges**

None	Amount
	\$ -

Service offerings not included in this analysis:

None

\$ -

**Totals**

\$ 186,284	\$ 250,967	\$ 64,683
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**Total employer related costs (plus wages) with PEO Quote #3**

\$ 1,411,924	\$ 1,476,607
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**Total percent saved**

13.19%	17.00%	3.80%
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**Total annual savings (cost) offered by this proposal.**

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**StaffMarket PEO Quote Analysis**  
PEO/ ASO Quote provided from:



**PEO Quote #4**

RFP Prepared for:

4798 Sample Company #1

Number of Annual  
Employees Payroll  
80 \$1,225,640

Quote Expires on  
Subject to Final Underwriting?

**No**

See Current Cost  
Analysis Page

Proposed Annual Cost	Current Annual Cost (estimated)	Savings
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**"A" Costs - FICA, Federal and State Unemployment**

	Rate	Basis	Annual Cost	
FICA	6.20%	\$ 1,225,640	\$ 75,990	SUTA/FUTA Payroll Cap \$ 700,000 State SUTA Cutoff for TN=\$7000
Medicare	1.45%	\$ 1,225,640	\$ 17,772	
Federal Unemployment	0.80%	\$ 700,000	\$ 5,600	
State Unemployment	3.30%	\$ 700,000	\$ 23,100	
<b>Proposed "A" Costs Total</b>	<b>11.75%</b>		<b>\$ 122,461</b>	

\$ 122,461	\$ 122,461	\$ -
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**"B" Costs - Administrative**

Fee Basis for Quoting Company Tennessee Totals Per Check - Bi-Weekly - Per Employee

Rate	# of Employees	Periods Annually	
\$ 25.00	80	26	1225640

\$ 52,000	\$ 80,000	\$ 28,000
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**"C" Costs - Workers' Compensation Insurance**

Work Comp Code	9060	0	0	0	0	0	0
Club-country, golf, fishing	0	0	0	0	0	0	0
State	TN	TN	TN	TN	TN	TN	TN
Proposed Rate	3.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Wages in Code	\$ 1,225,640	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Proposed "C" Costs Total</b>	<b>\$ 37,259</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

\$ 37,259	\$ 48,506	\$ 11,246
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**"D" Costs - Employee Benefits and Health Insurance**

Health insurance costs are not included in this analysis due to the variability of options and plans. Please contact us if you would like us to assist with health insurance evaluations.

**"E" Costs - Miscellaneous PEO Charges**

Amount

\$ -	\$ 0.00	\$ -
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Service offerings not included in this analysis:  
None

**Totals**

<b>\$ 211,721</b>	<b>\$ 250,967</b>	<b>\$ 39,246</b>
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Total employer related costs (plus wages) with PEO Quote #4  
Total percent saved

\$ 1,437,361	\$ 1,476,607	2.27%
14.73%	17.00%	

**Total annual savings (cost) offered by this proposal.**

This analysis is an estimate only. Your actual costs will be higher or lower based on your company's actual experience and/or additional fees that may be charged by this company. StaffMarket makes no guarantees regarding the accuracy of this analysis and we advise you to review each company's client services agreement for additional pertinent information to assist with your choice of vendors. StaffMarket has prepared this analysis as a courtesy to your company and advises you to undertake your own due diligence prior to engaging this company.

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**Appendix A  
Administrative Overhead Activities**



*Administrative cost estimates are based on the time and cost your company spends on the non-revenue producing activities listed below. While each organization is unique, these activities can present a significant overhead burden and time diversion for your company.*

**Administrative Burdens for Business Owners and Managers**

<b>Payroll Administration</b>	<b>Workers' Compensation Administration</b>
<b>Benefits Administration</b>	<b>Human Resources Assistance</b>

**Payroll Administration**

Prepare and distribute payroll checks	Direct deposit of wages to bank accounts	Year end W2s and W3s
Payroll data maintenance	Federal, state and local withholding and tax deposits	Payroll related record keeping, audits, inquiries and verifications.
Response to I9 inquiries	Reporting and job costing	Time clock management
Vacation and sick leave tracking	Payroll software management and accounting (GL) entries	Tax changes administration

**Workers' Compensation Administration**

Claims review and administration	Safety plan creation, administration and training	Report and documents accidents
Work Comp billing reconciliation	Safety audits and reviews	OSHA Compliance
Annual policy cost reviews	Dividend plan reviews and audits	NCCI mod rate reviews.

**Benefits Administration**

Plan communications to employees	Benefits handbook creation and distribution	Annual enrollments and adds/drops
Eligibility tracking	COBRA compliance and administration	Plan discrimination testing
Flexible spending accounts (FSA) administration	Carrier payments and account audits	Annual plan cost reviews
401K administration, company matching and plan testing (highly compensated)	Section 125 (pretax) premium audits	Life Insurance (if offered) plan administration
Employee assistance plans (EAP) administration	Short term disability plan administration	Long term disability plan administration

**Human Resources Administration**

Legal assistance establishment and retainers	Review, draft and communicate employment policies	Create and publish legally valid employee handbooks
Manage insurance for Employment Practices Liability (EPLI)	Employment posters and notices	Unemployment claims administration
Background checks	Audit compliance with Wage and Hour (FLSA)	Audit compliance with ADA – Disability Act
Audit compliance with EEOC	Audit compliance with OSHA	Attendance audits
Employment applications	Applicant interviewer training practices	I9 compliance