Retirement Consulting Insights

Retirement plan implications of exiting a PEO

Transitioning from a Professional Employer Organization (PEO) requires advanced planning and detailed analysis. An important consideration a company exiting a PEO must consider is the retirement plan implications, including:

- **Fiduciary responsibility shift:** Once the PEO contract ends, the company exiting the PEO will assume full fiduciary responsibility for managing the plan, including investment selection and compliance.
- **Plan administration transition:** Once the PEO contract ends, the company will need to transition plan administration tasks like employee communication, investment selection and compliance reporting to their own internal processes or hire a new service provider.
- **New plan/service provider:** The company will likely need to establish a new retirement plan for their employees. This process requires time (anywhere between 9-12 weeks). It is important to establish the new 401(k) plan before exiting the PEO to ensure there's a vehicle in place for contributions to be deposited. Otherwise, the Internal Revenue Service (IRS) and Department of Labor (DOL) can invoke penalties and a cumbersome correction process.
- **Payroll integration setup:** The company will select a new payroll provider, transfer employee data, configure tax settings and run a parallel payroll cycle for accuracy. The new retirement plan service provider can automate this process by syncing with the payroll provider, reducing manual effort and preventing missed or late contributions.
- **Employee communications:** Creating a new 401(k) plan can be complex and companies need to communicate effectively to their employees to manage expectations and minimize disruption.

Partner with us for PEO transition consulting

Exiting a PEO involves key considerations like employee benefits, payroll, compliance and more. USI Insurance Services' specialists can guide you through the process, addressing financial, administrative and cultural impacts. Our retirement experts can help with fiduciary responsibilities, plan transitions and selecting a new service provider.

To learn more, contact your local USI representative or reach out to us directly at information@usicg.com.

> Failing to effectively manage this transition can lead to significant compliance issues, employee dissatisfaction and potential financial penalties. It's recommended the company consult with a qualified retirement plan advisor to navigate the transition process and ensure compliance with all regulations when leaving a PEO.

Connect with us today | information@usicg.com | 860.633.5283 | usicg.com |