

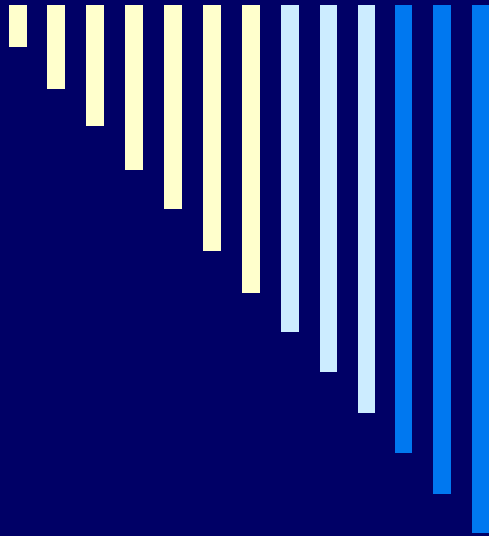


Henshaw/Vierra Management Counsel, L.L.C.

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Walnut Creek, CA 94596
Phone: 510 749-3225
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lester@henshawvierra.com

We can help you manage a better, more profitable bureau.



IPPA 2007

Payroll Service Bureau Benchmarking

IPPA Annual Members' Survey



IPPA Annual Members' Survey

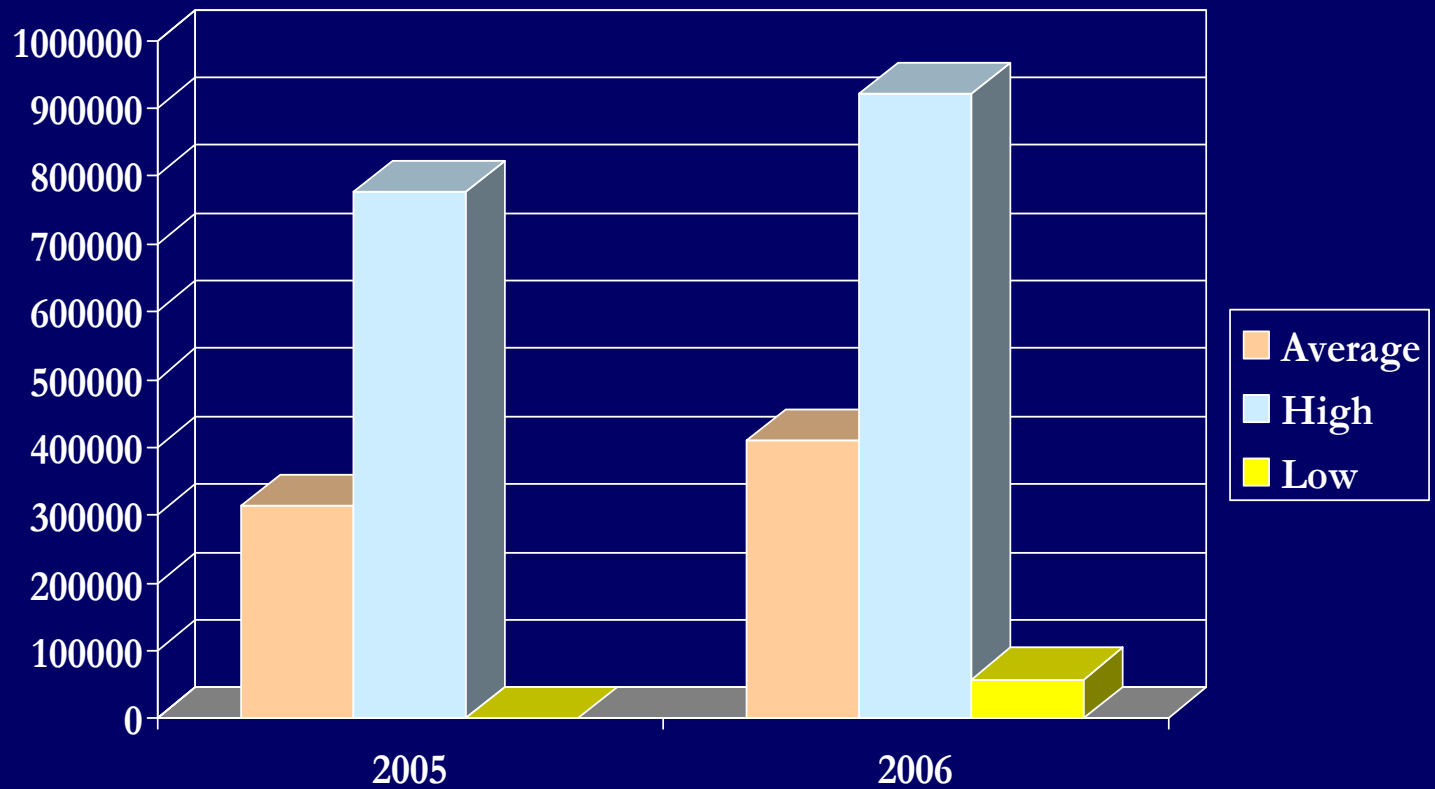
- 81 Companies Responded
 - Annual Revenue
 - Active Customers
 - Input Methods—call-in, fax-in, remote, web
 - Attrition Rate
 - Staffing by Department
 - Product Usage
 - Other Related Services



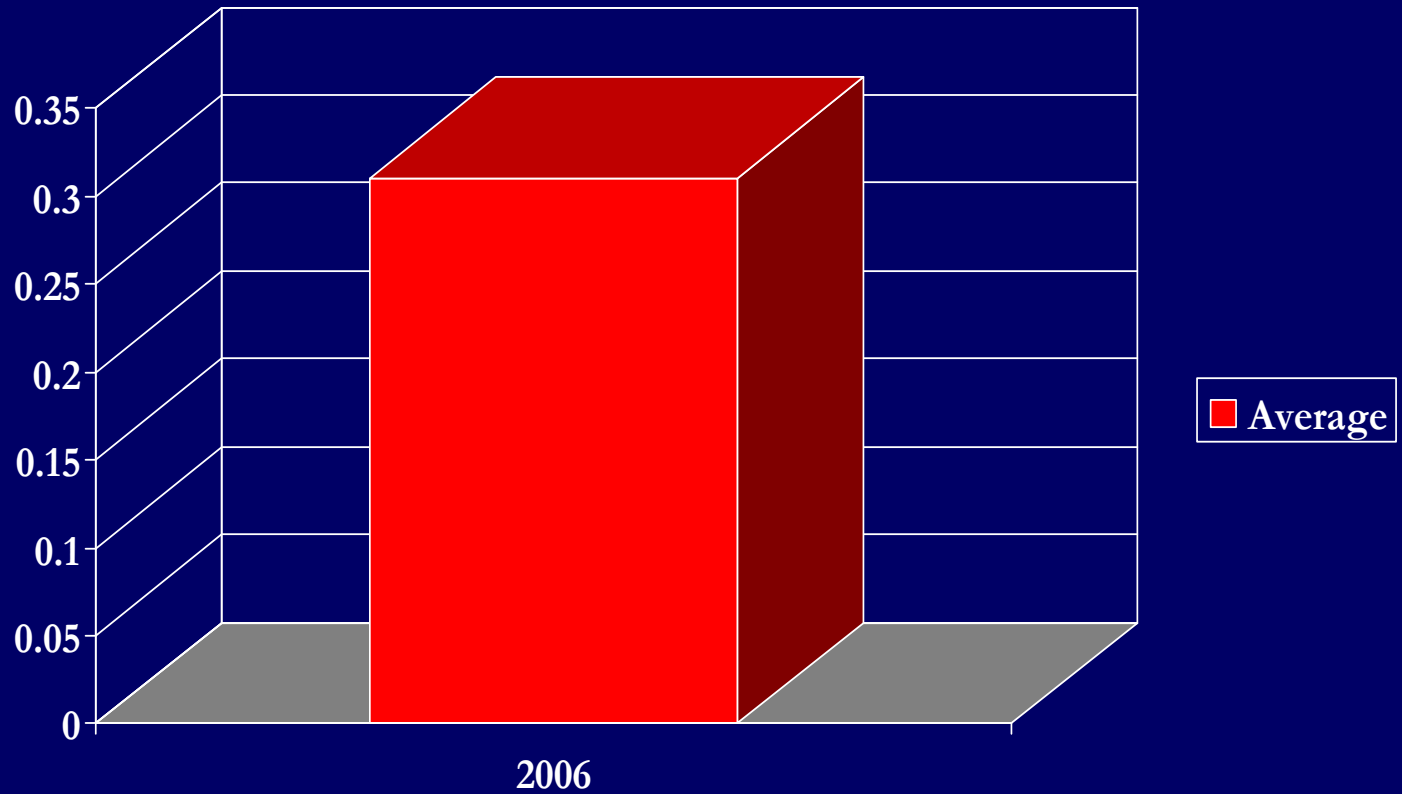
IPPA Annual Members' Survey

- Comparisons are made from this year's respondents for their reported 2005 to 2006 performance.
- "Small Bureau" = \$1 million in revenue or less
- "Large Bureau" = \$1 million in revenue of more

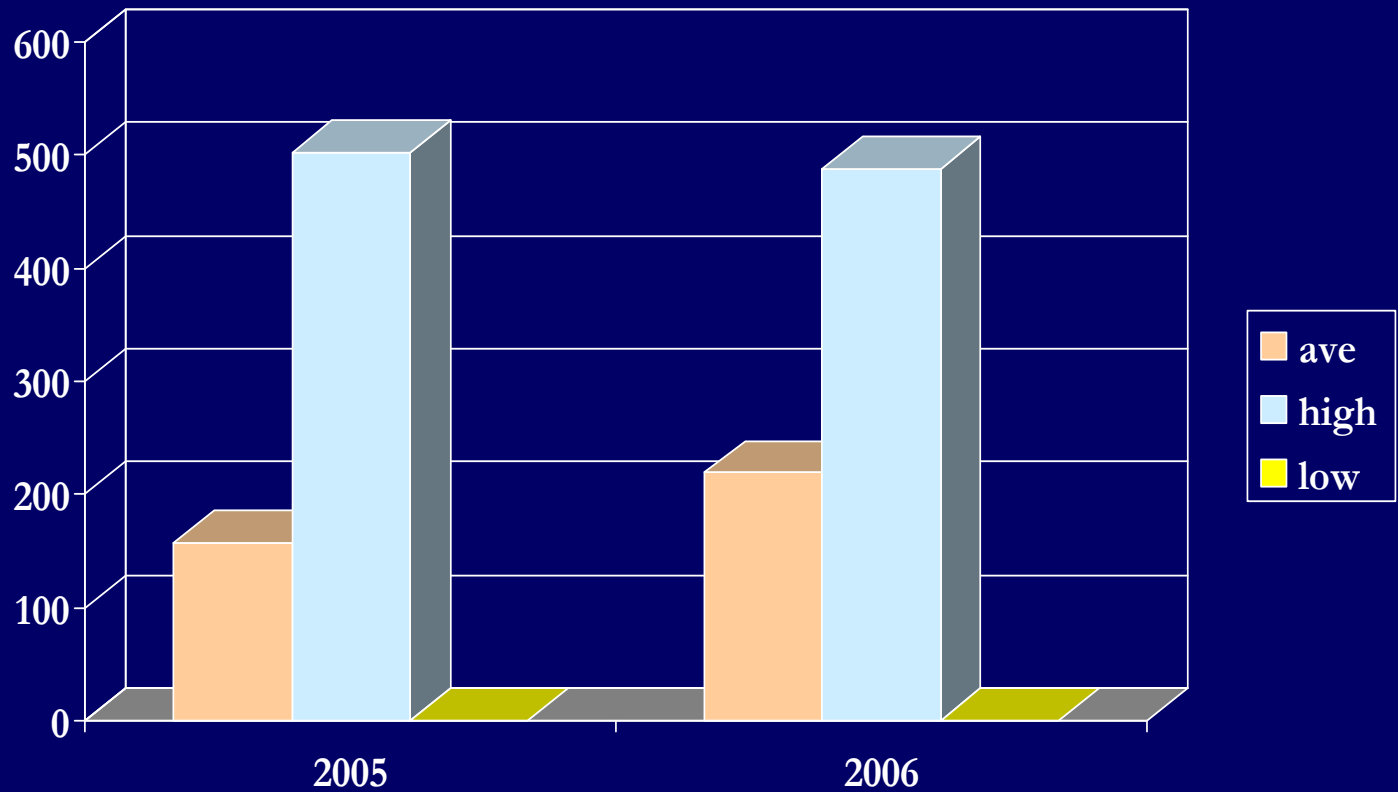
Small Bureau Revenue



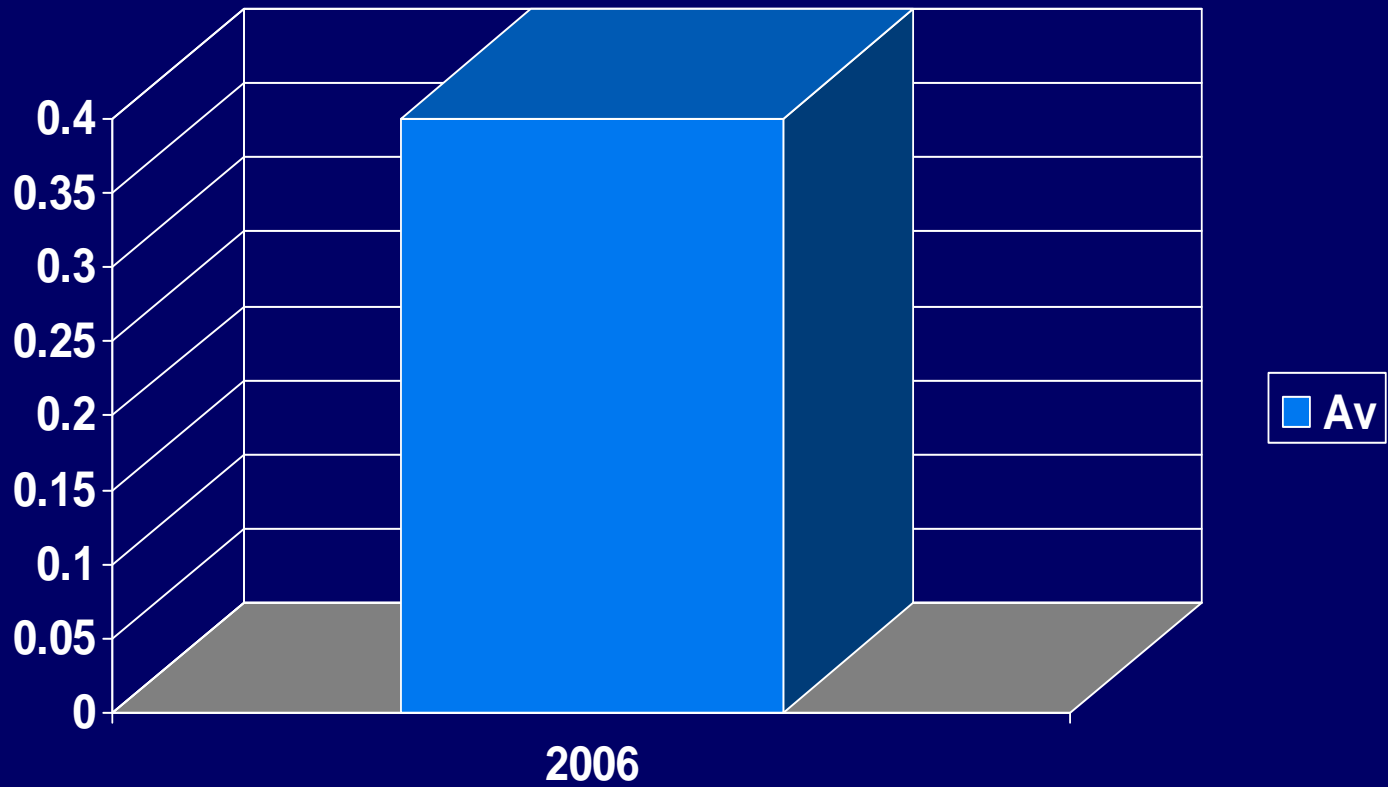
Small Bureau Revenue Growth



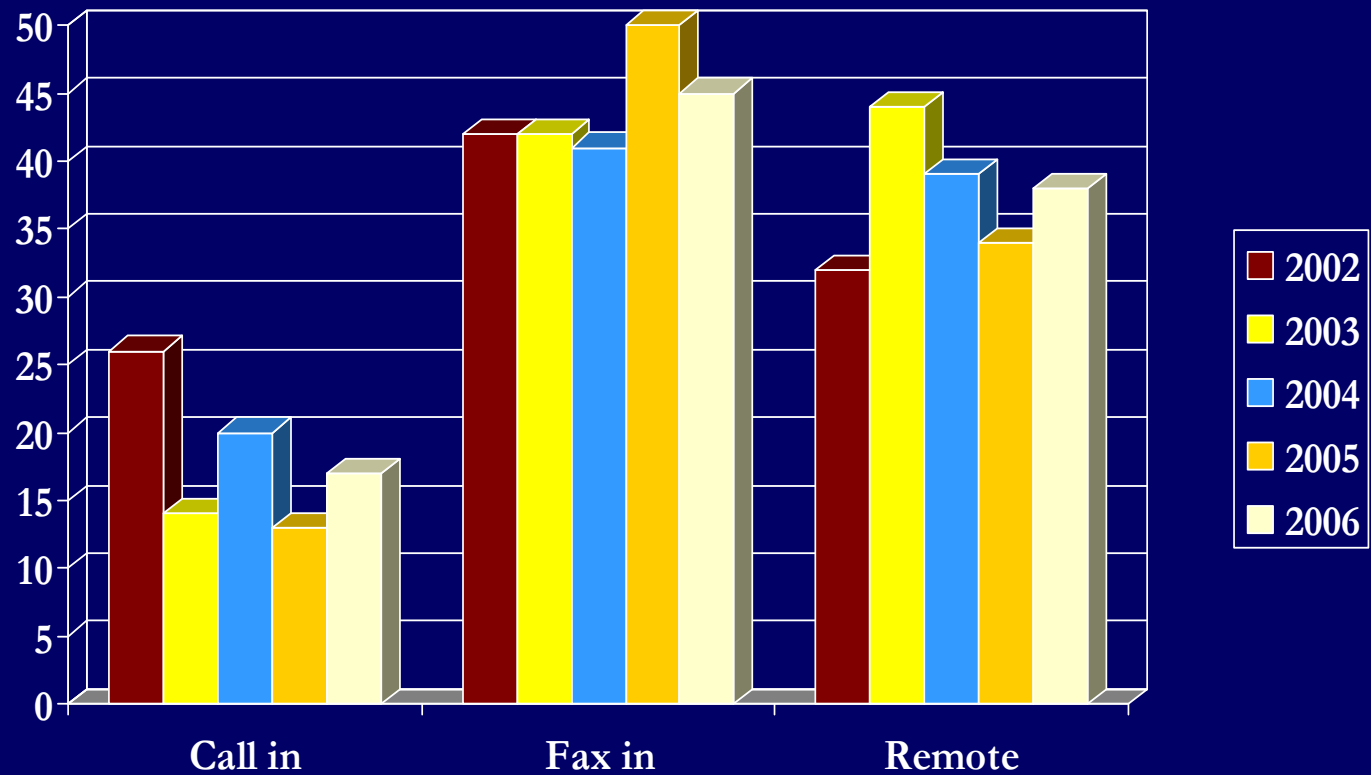
Small Bureau Customer Base



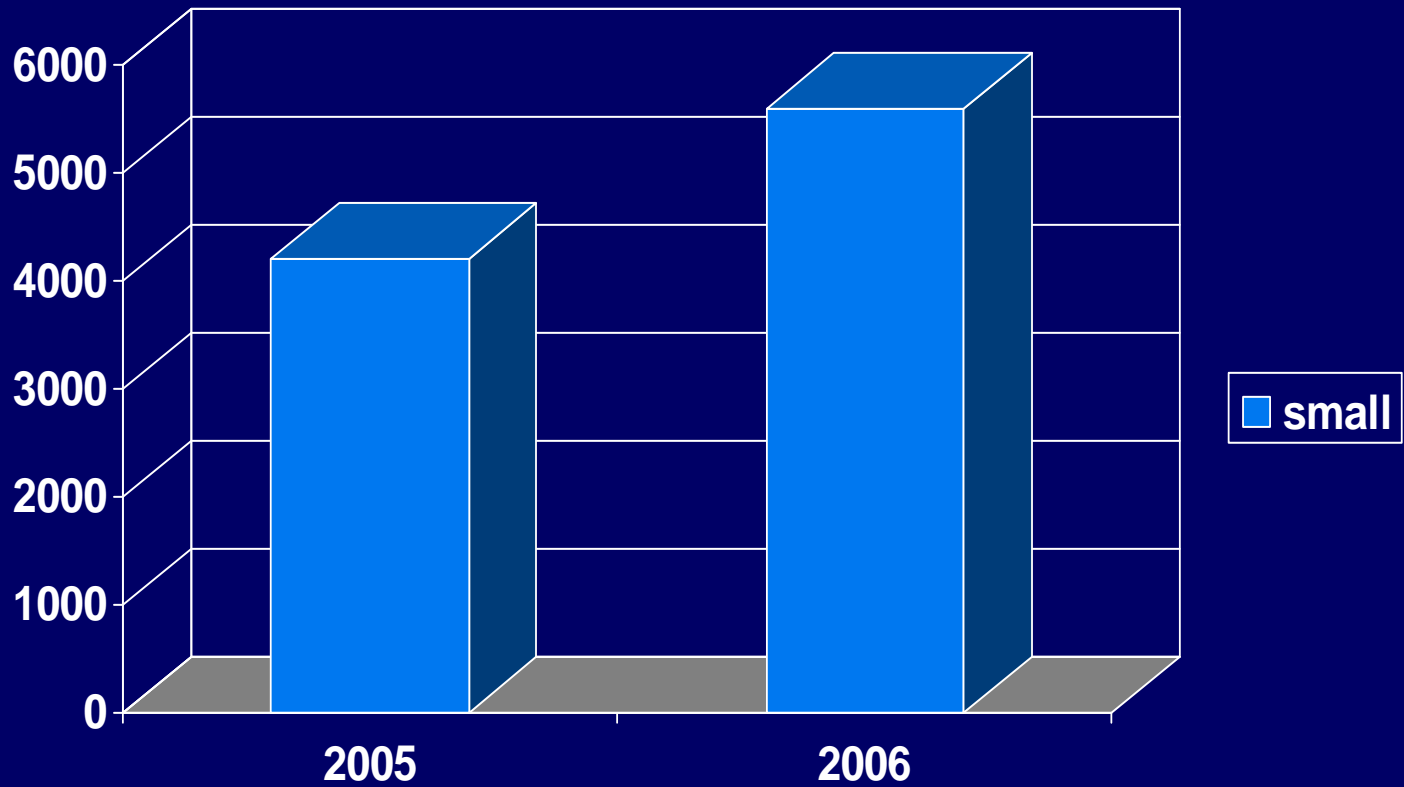
Small Bureau Customer Growth



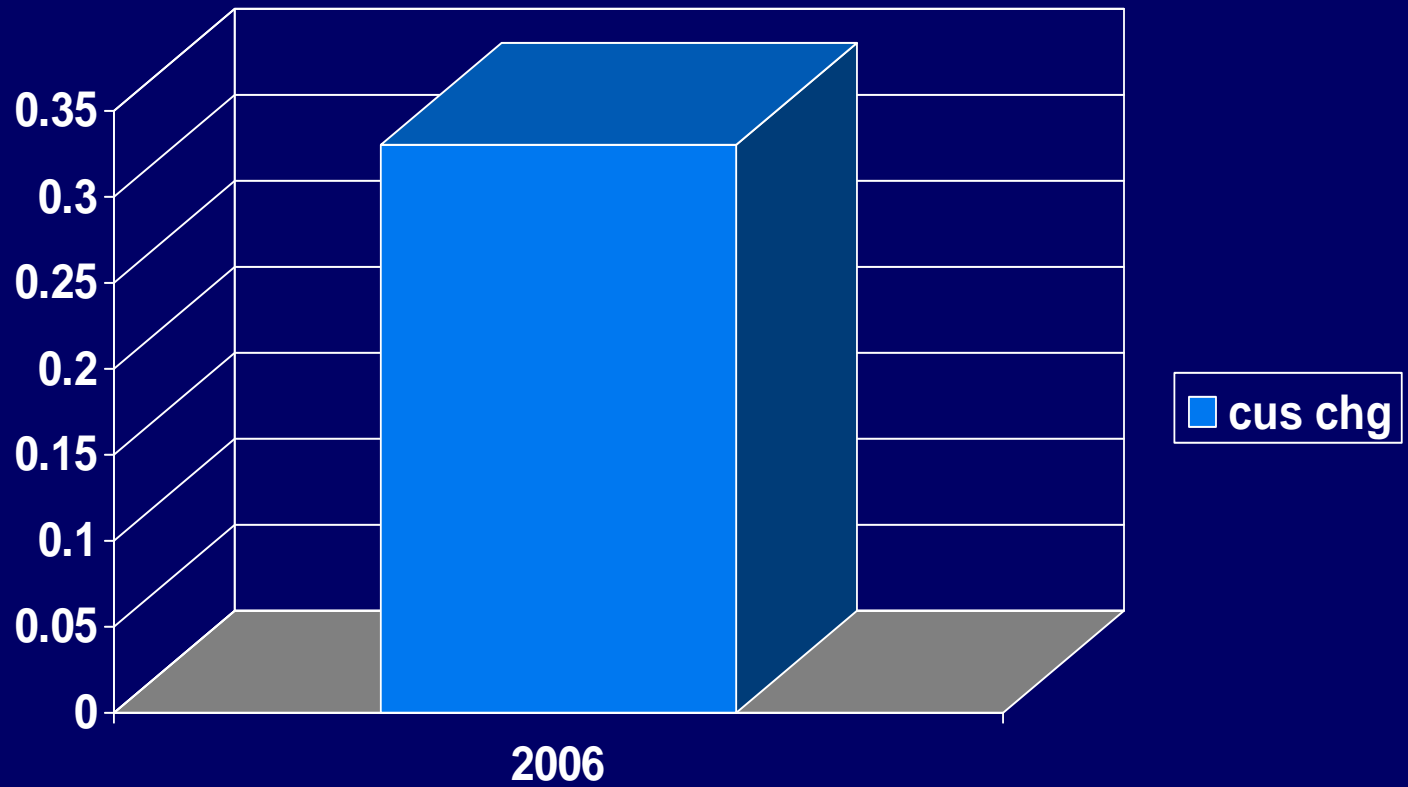
Small Bureau In-Put Method



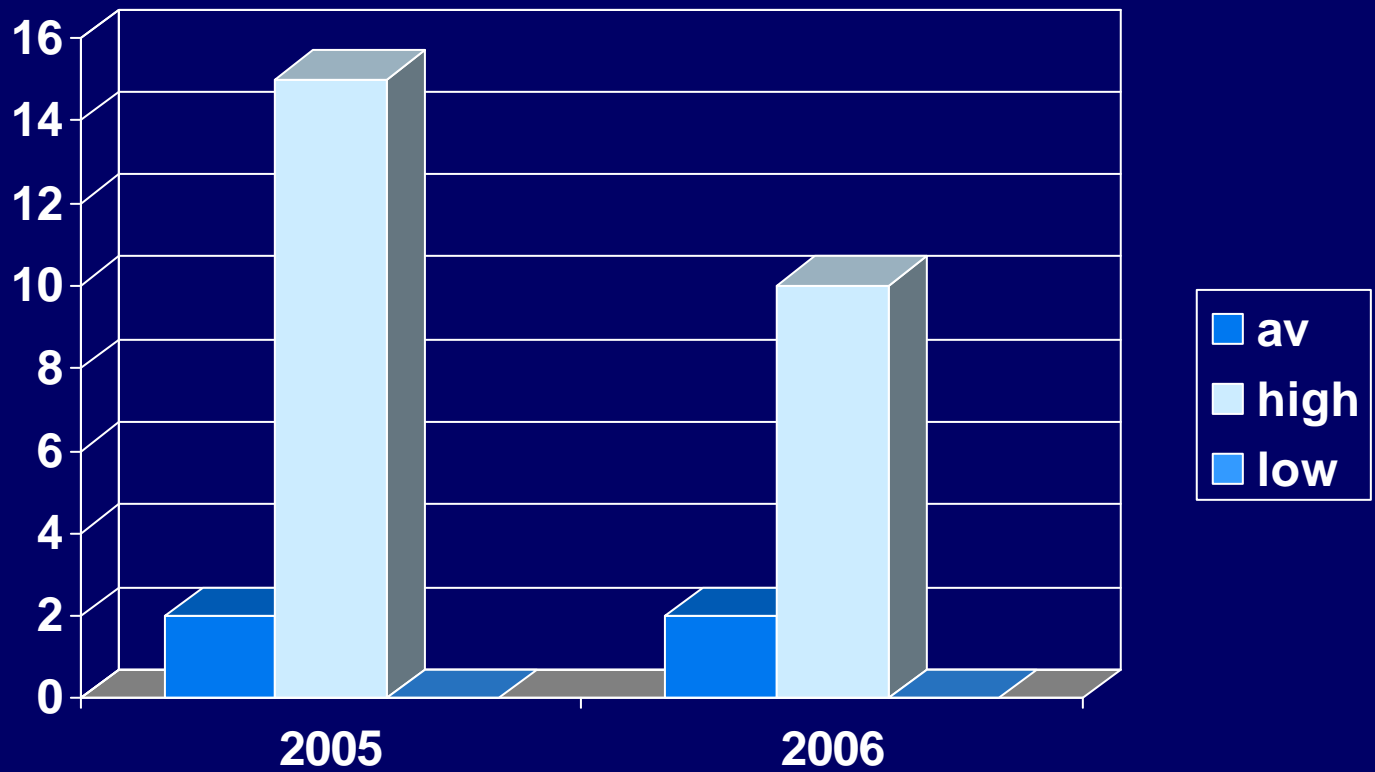
Small Bureau Payrolls Run



Small Bureau Payrolls Run

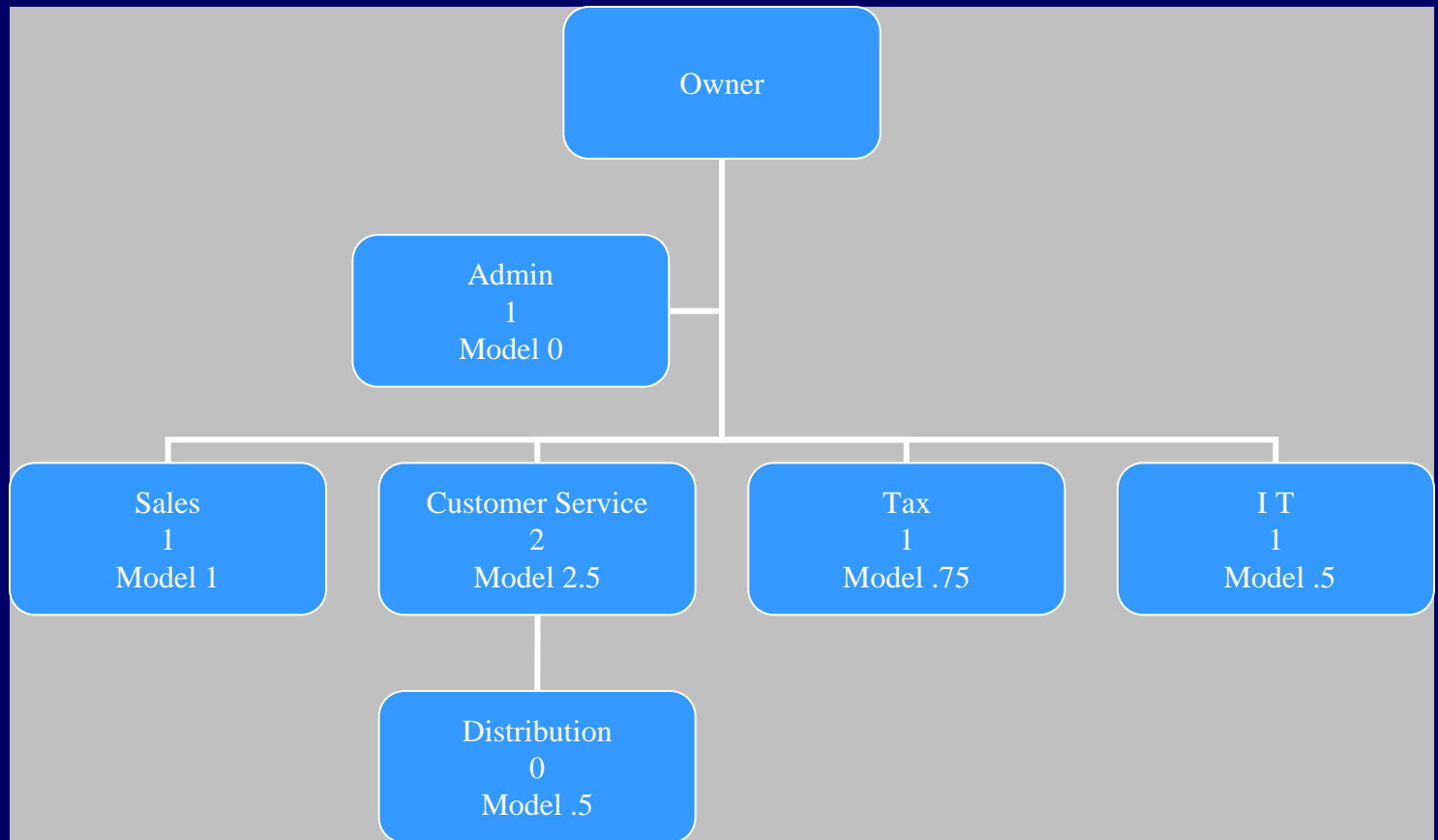


Small Bureau Attrition Rate

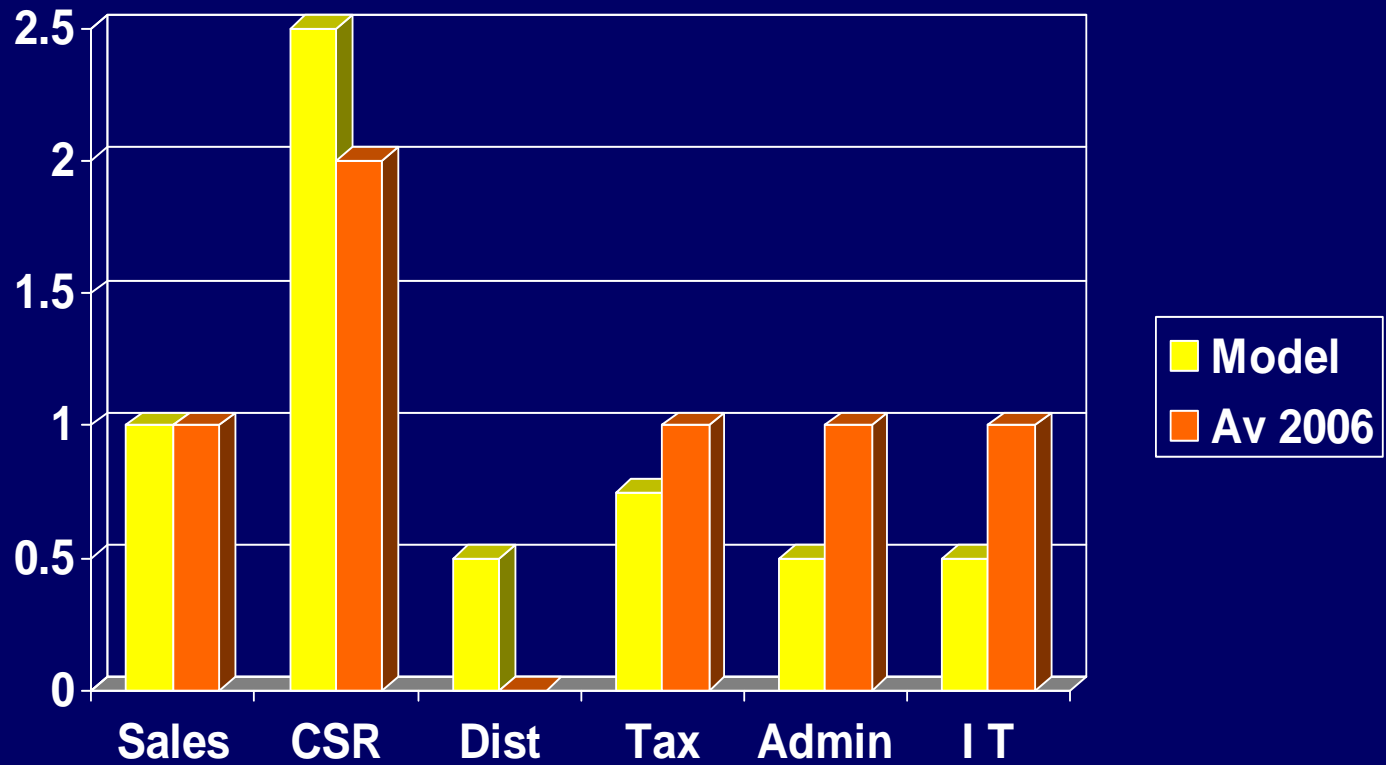


Small Bureau Organization

219 customers, \$410,000 rev



Small Bureau Employee Distribution



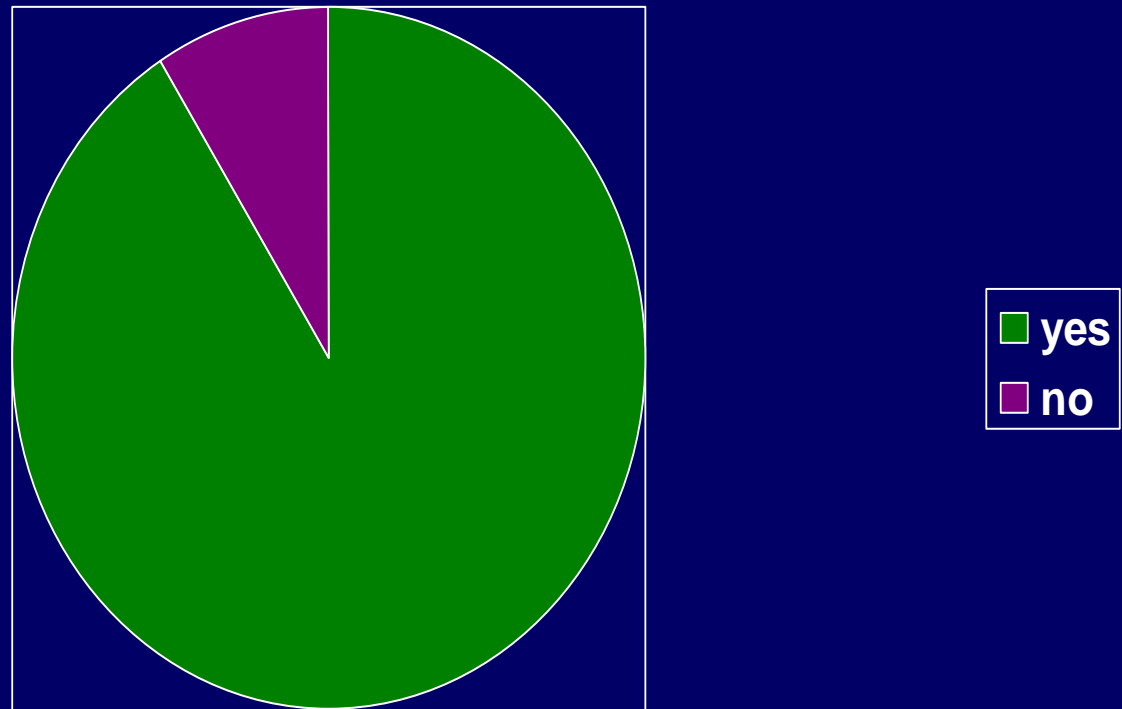


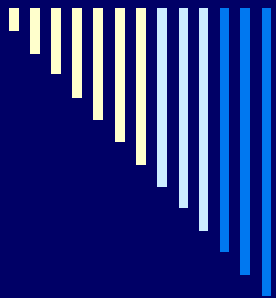
Small Bureau Years in Business



10 years

Small Bureau In-House Tax Filing

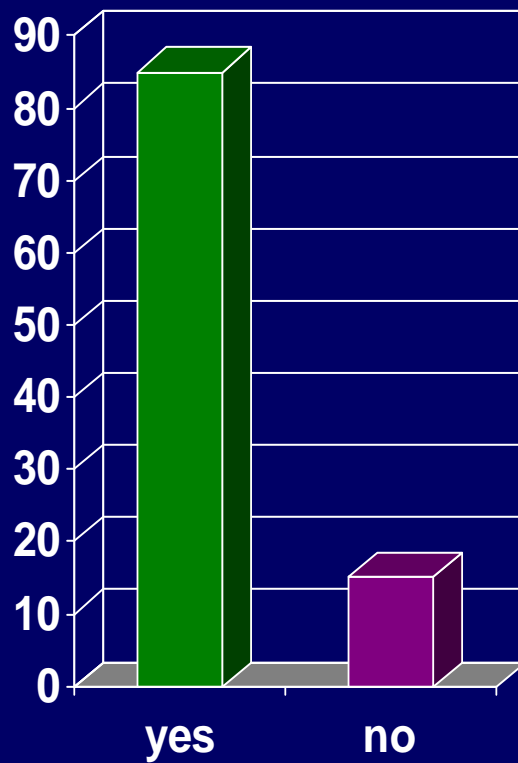




Small Bureau # of States in Which They File

□ Average	19
□ High	46
□ Low	2

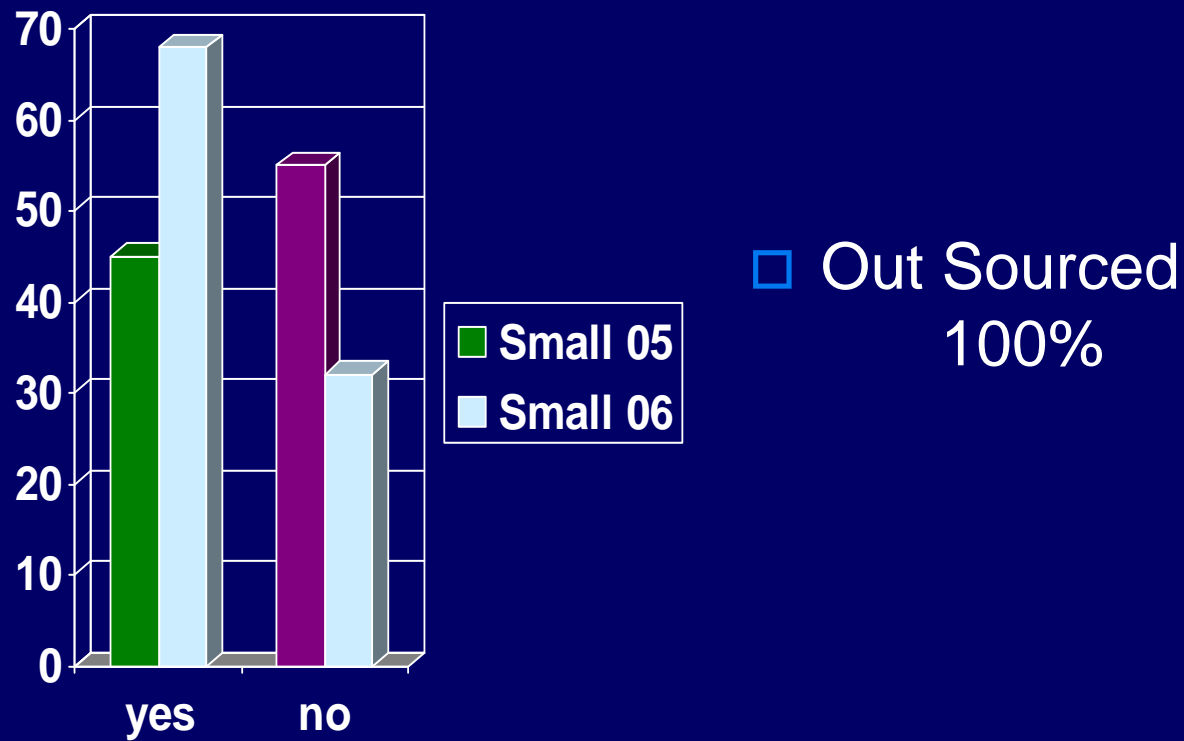
Small Bureau Time & Attendance



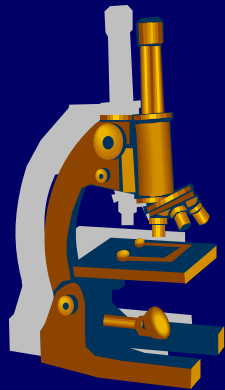
□ Out Source 62

□ In House 38

Small Bureau Debit/Payroll Card

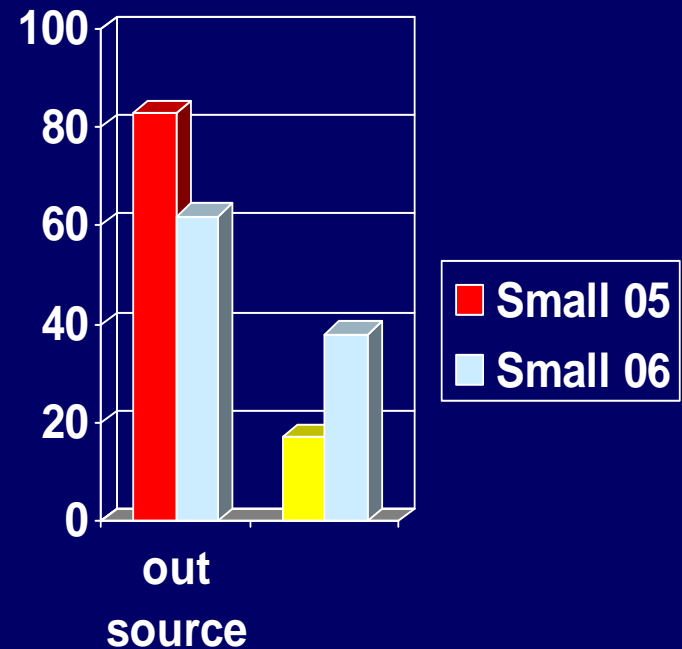
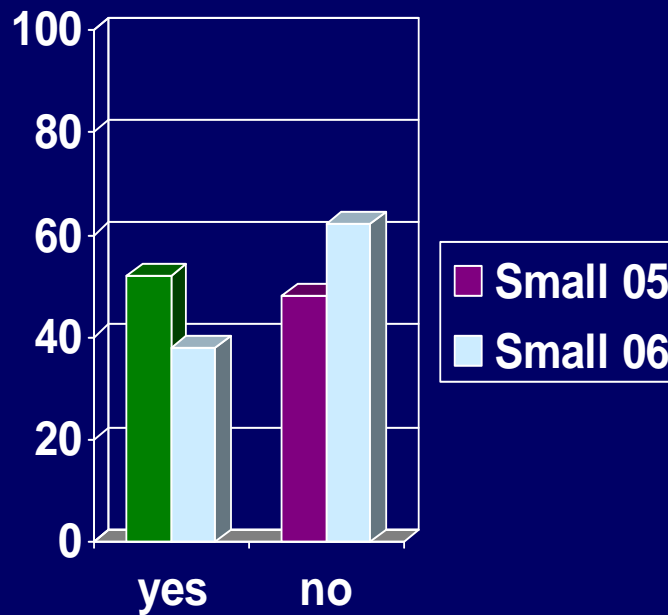


Small Bureau Pre-Employment Screening Service



- Yes 05 06
34% 38%
- No 66% 62%
- Out Sourced
100%

Small Bureau Offering Benefits Administration



Small Bureau Cobra



Yes 05 06
 30% 29%

Out Source

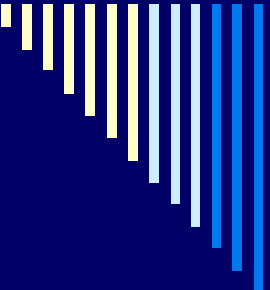
- 05 77%
- 06 80%

Small Bureau Workers' Comp Service



□ Yes 05 06
73% 85%

□ Out Sourced
■ 05 94%
■ 06 76%



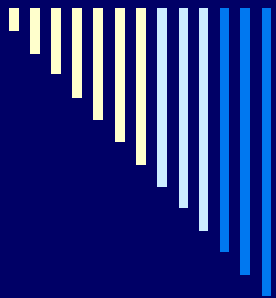
Small Bureau -- HR Systems

	05	06
<input type="checkbox"/> YES	61%	59%
<input type="checkbox"/> Out Sourced	44%	20%



Small Bureau -- Insurance

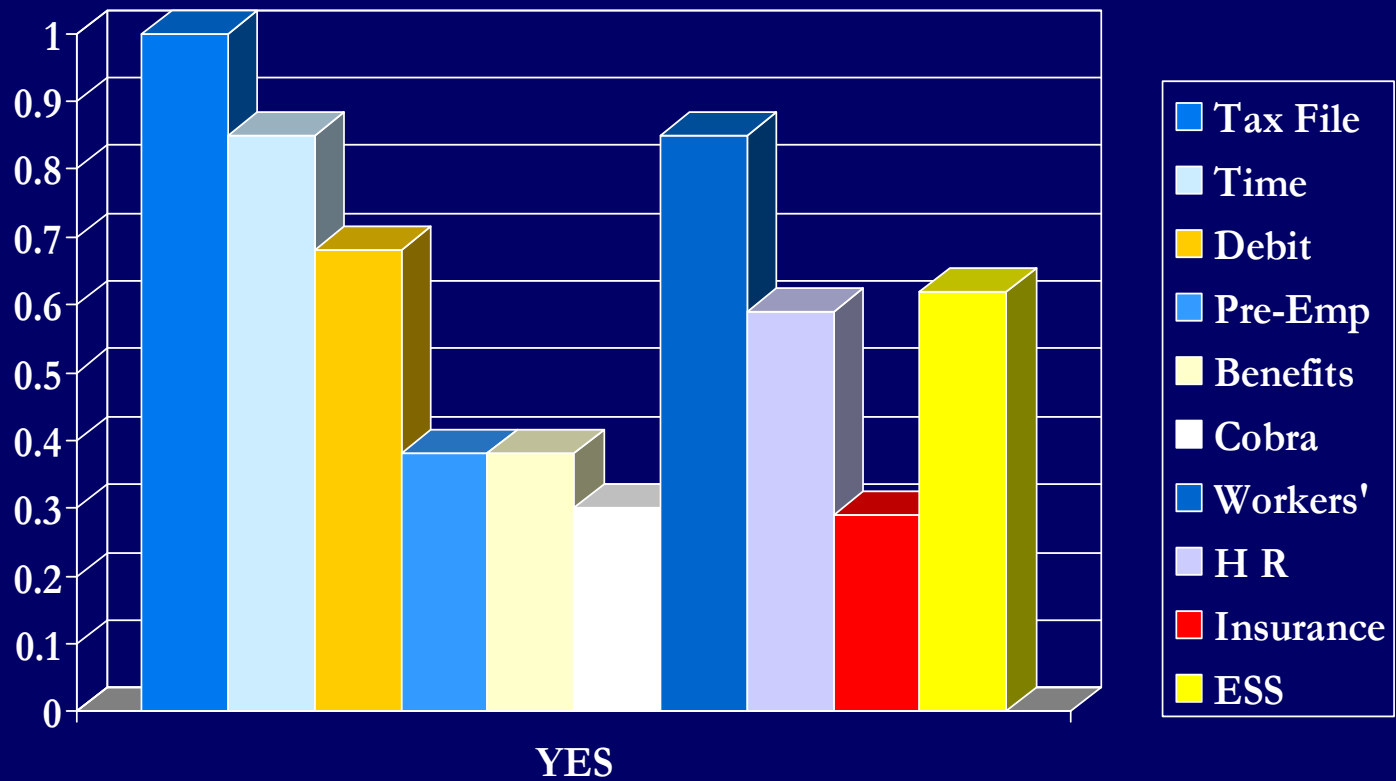
	05	06
<input type="checkbox"/> YES	52%	29%
<input type="checkbox"/> Out Sourced	91%	90%



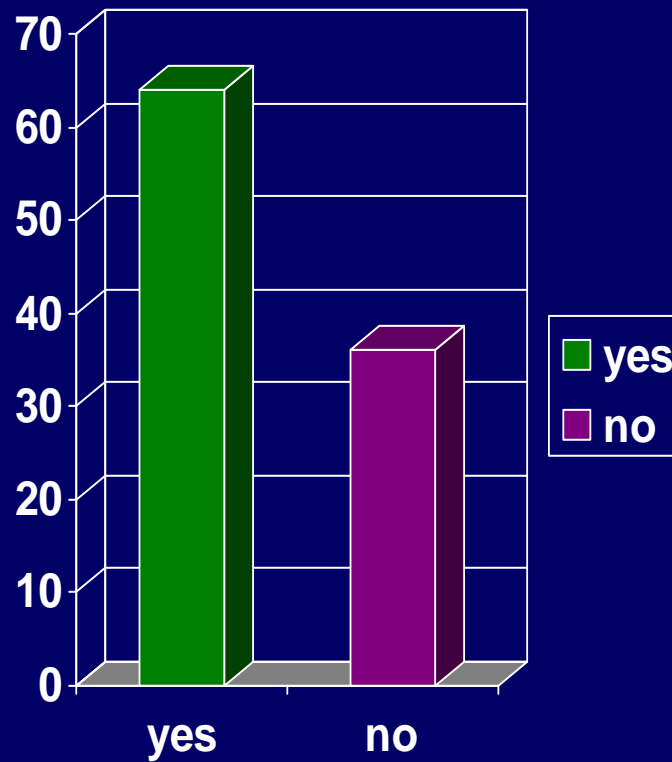
Small Bureau -- ESS

	05	06
<input type="checkbox"/> YES	45%	62%
<input type="checkbox"/> Out Sourced	30%	31%

Small Bureau Services Recap



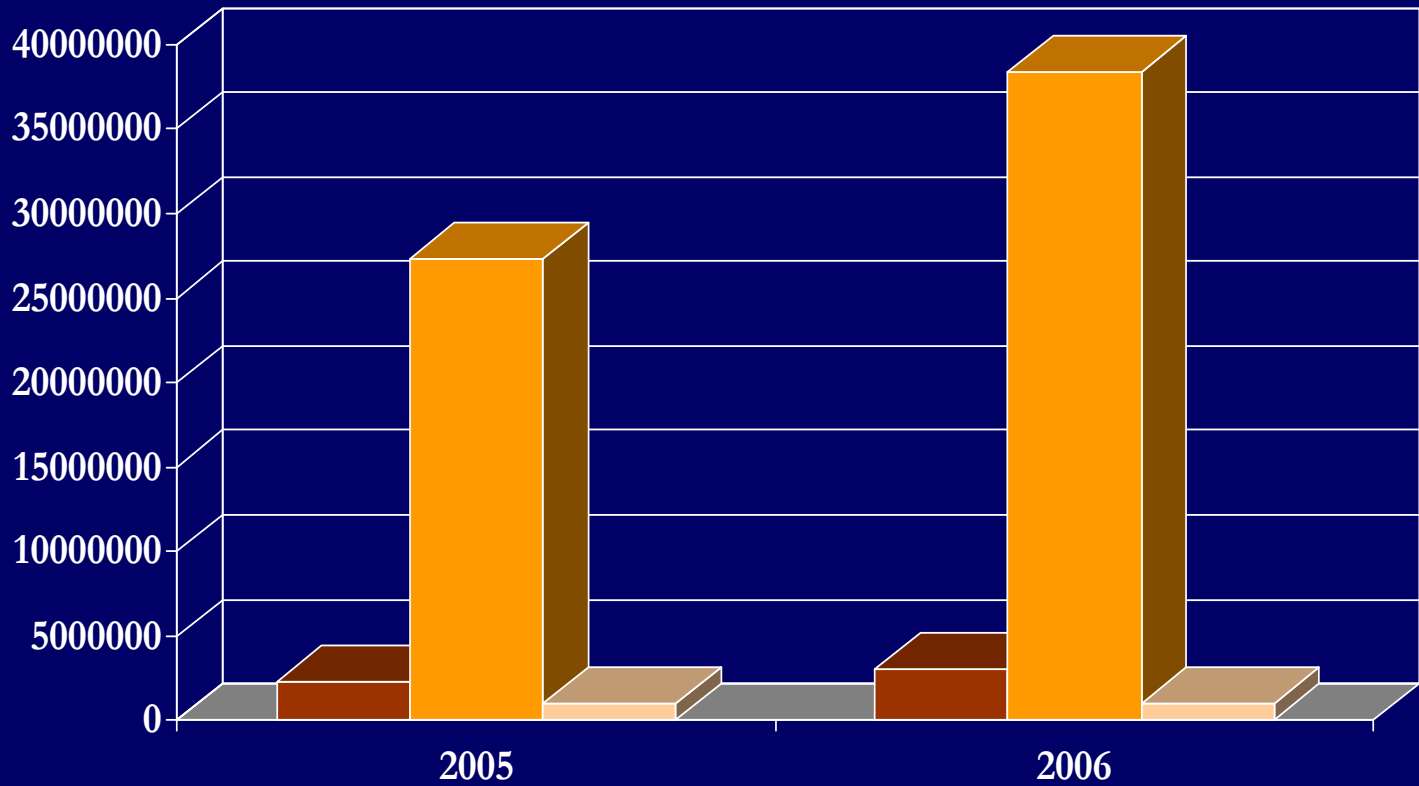
Small Bureau Price Increase in 2007



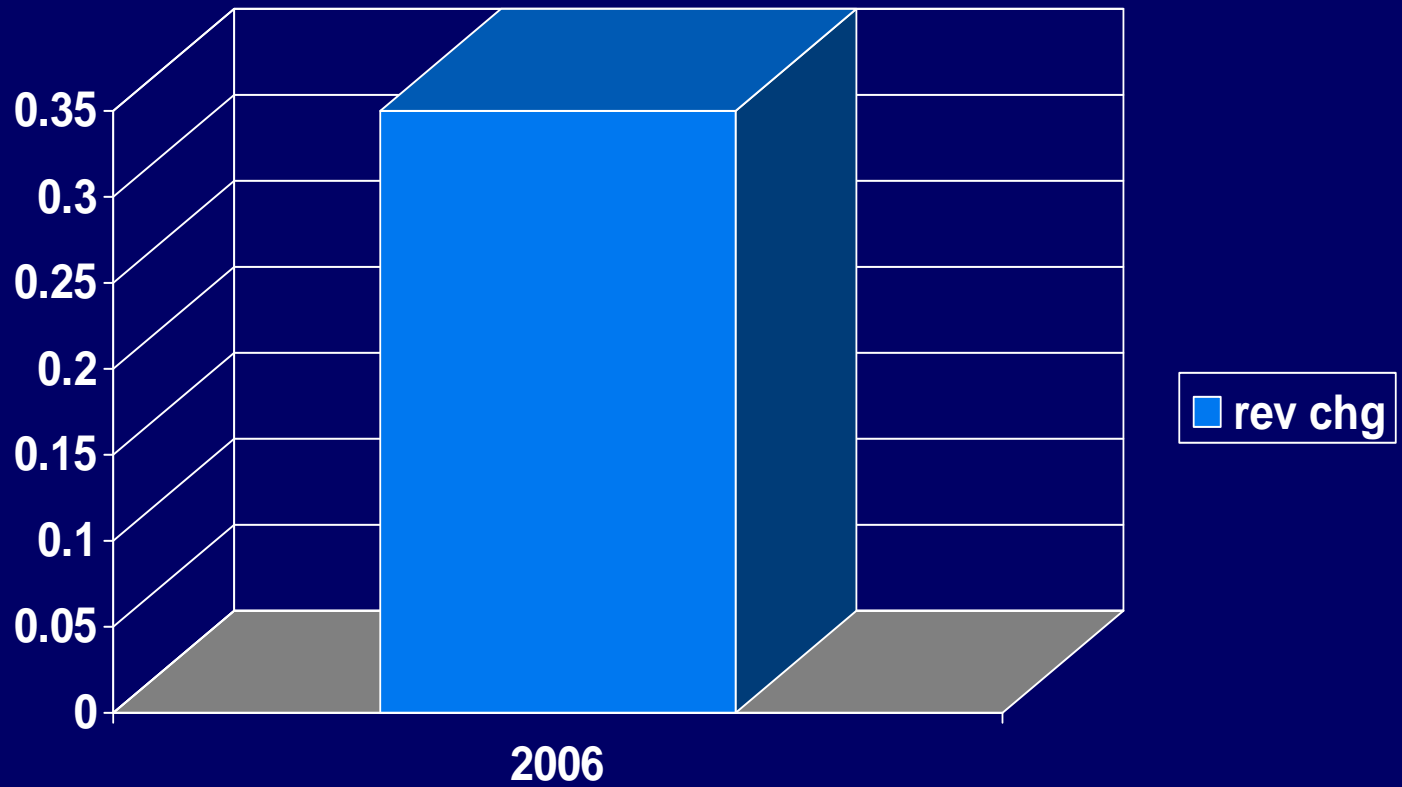
□ Average 3%

□ Range 0 to 10%

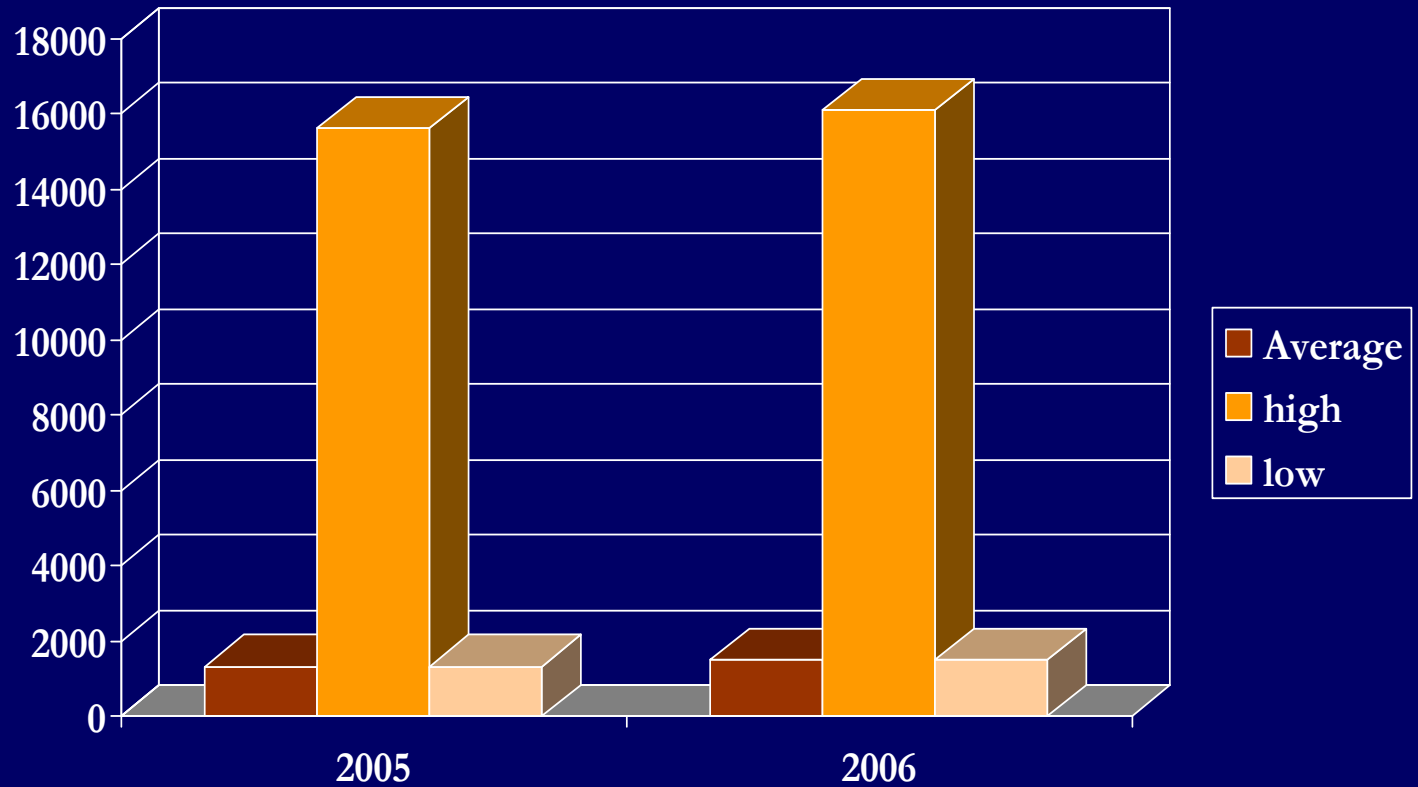
Large Bureau Revenue



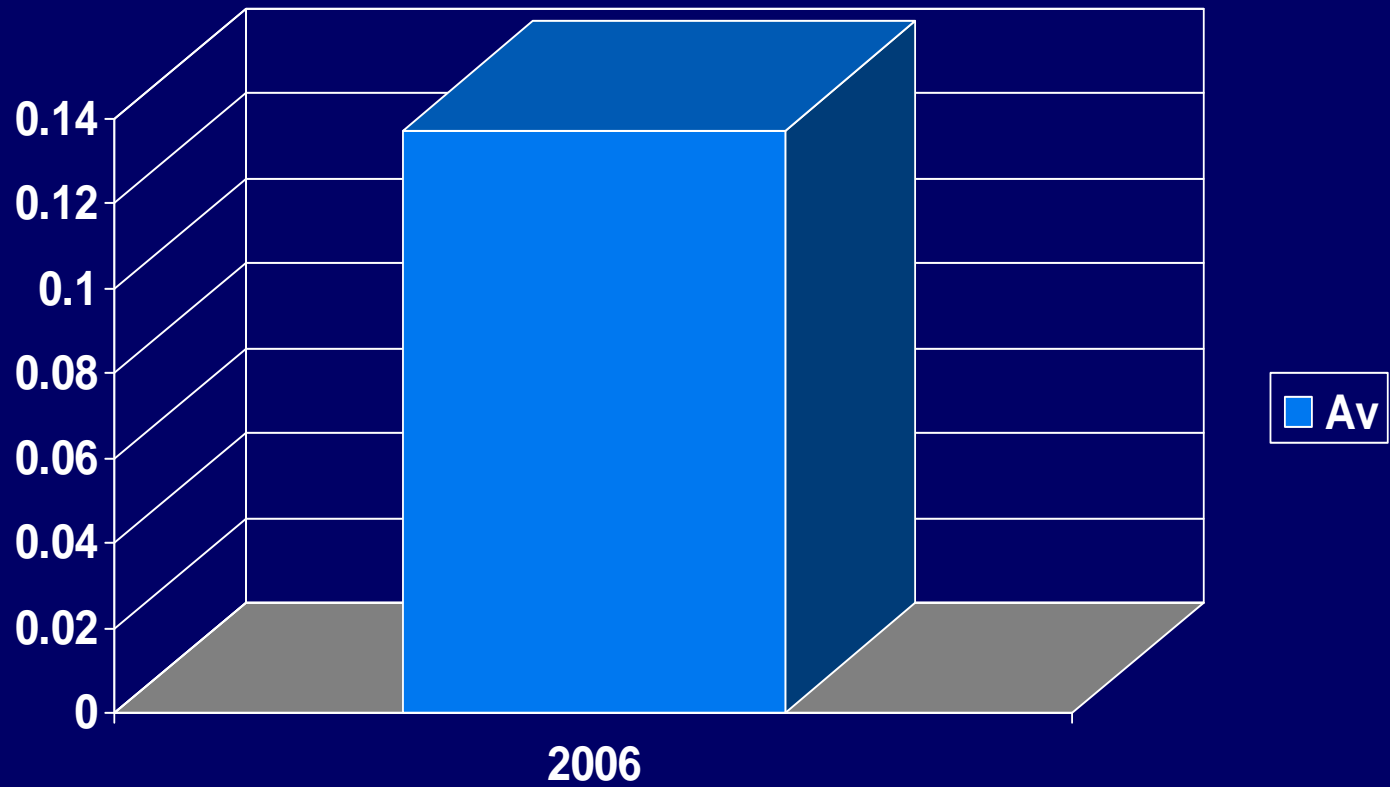
Large Bureau Revenue



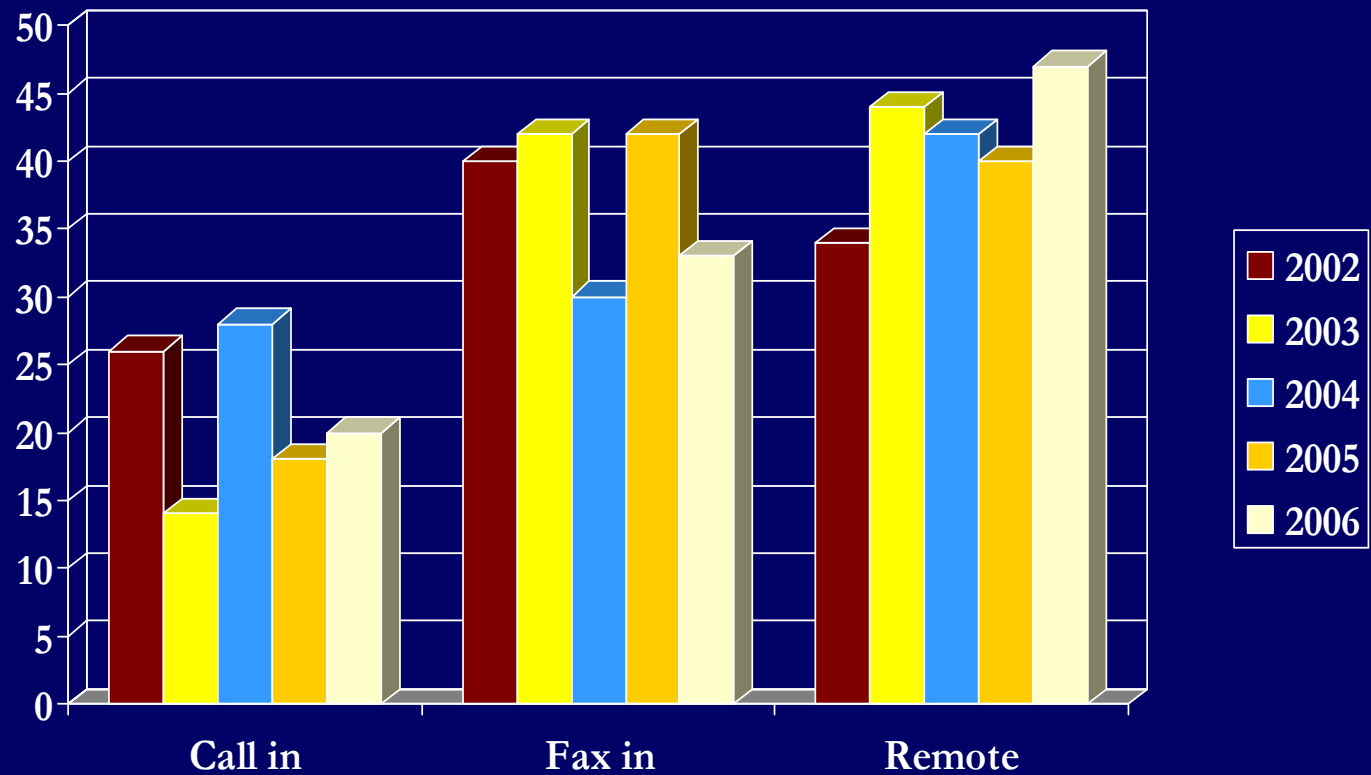
Large Bureau Customer Base



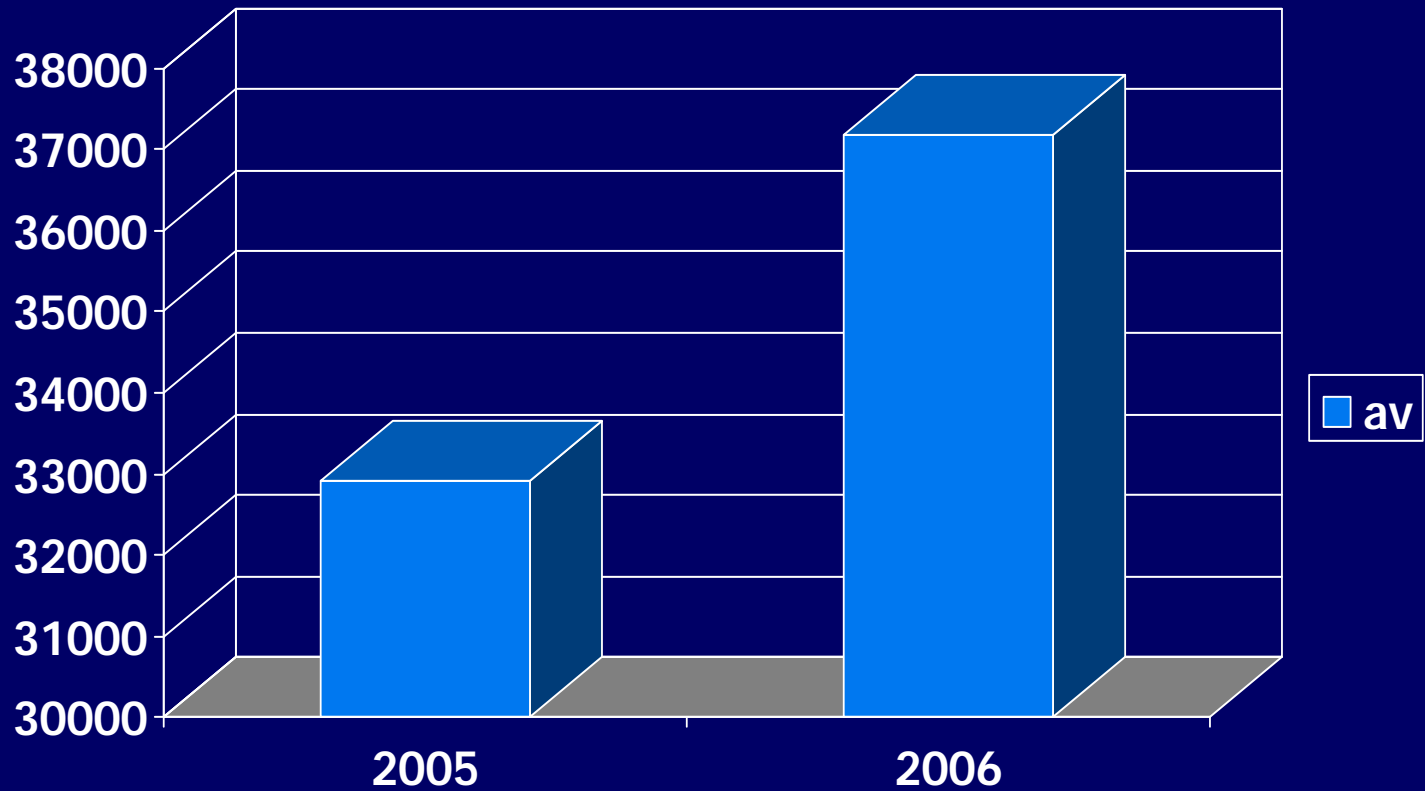
Large Bureau Customer Growth



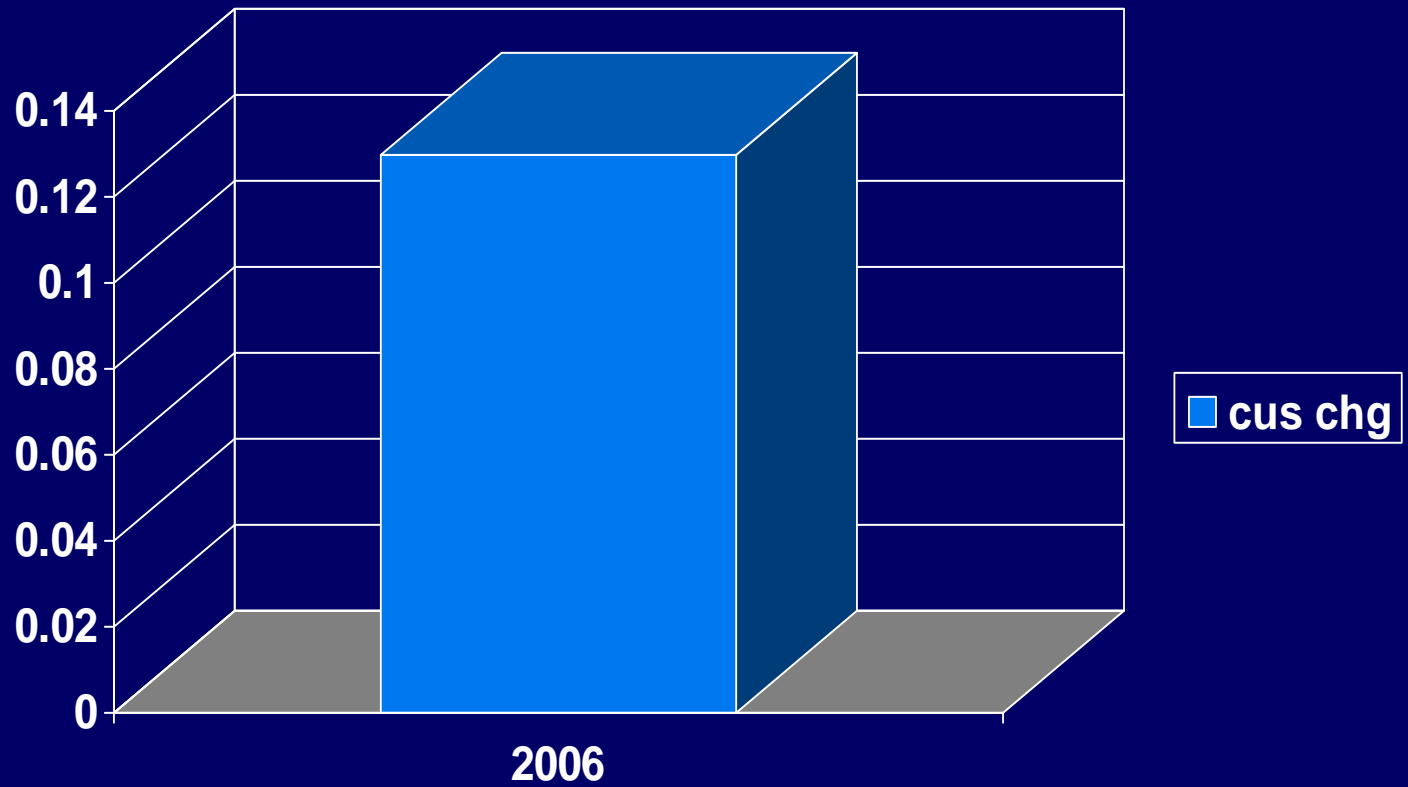
Large Bureau In-Put Method



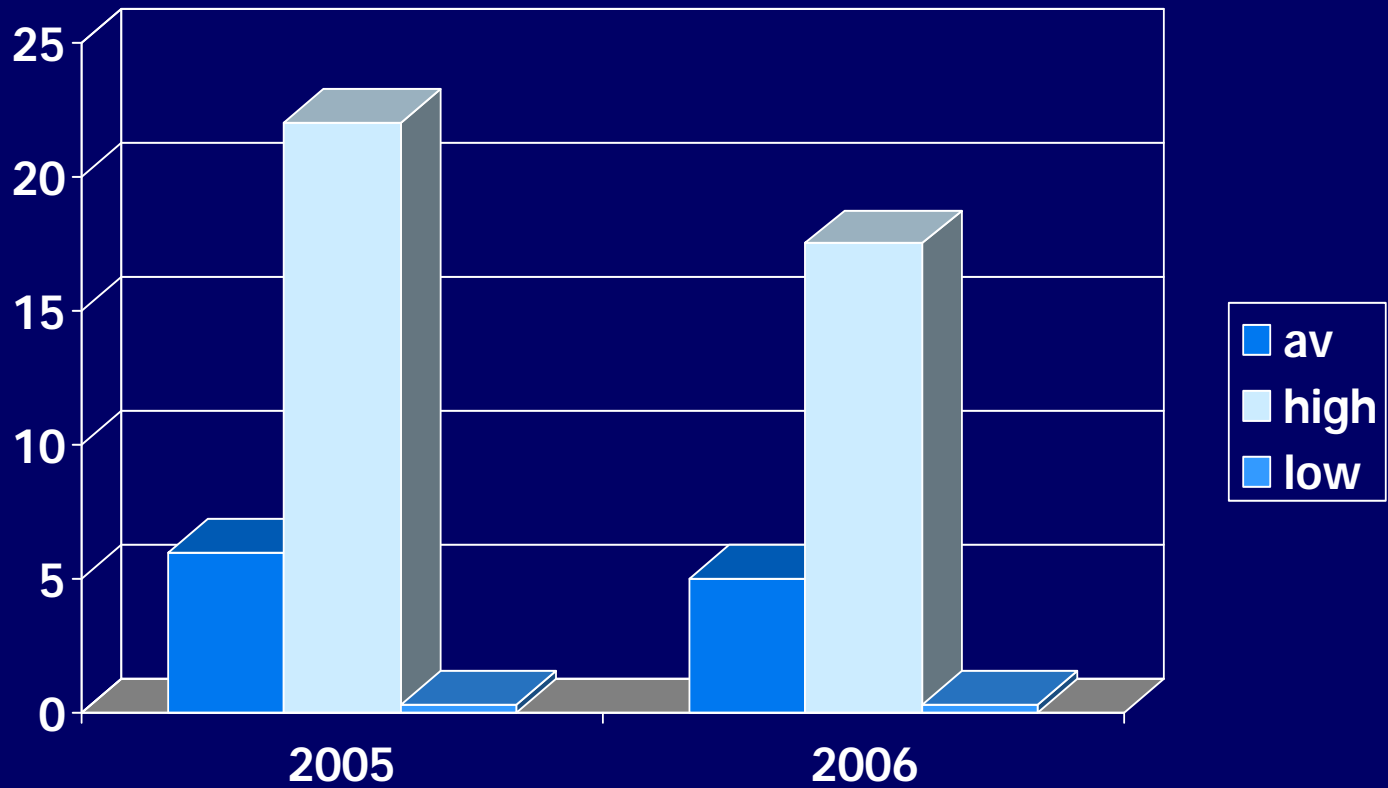
Large Bureau Payrolls Run



Large Bureau Payrolls Run

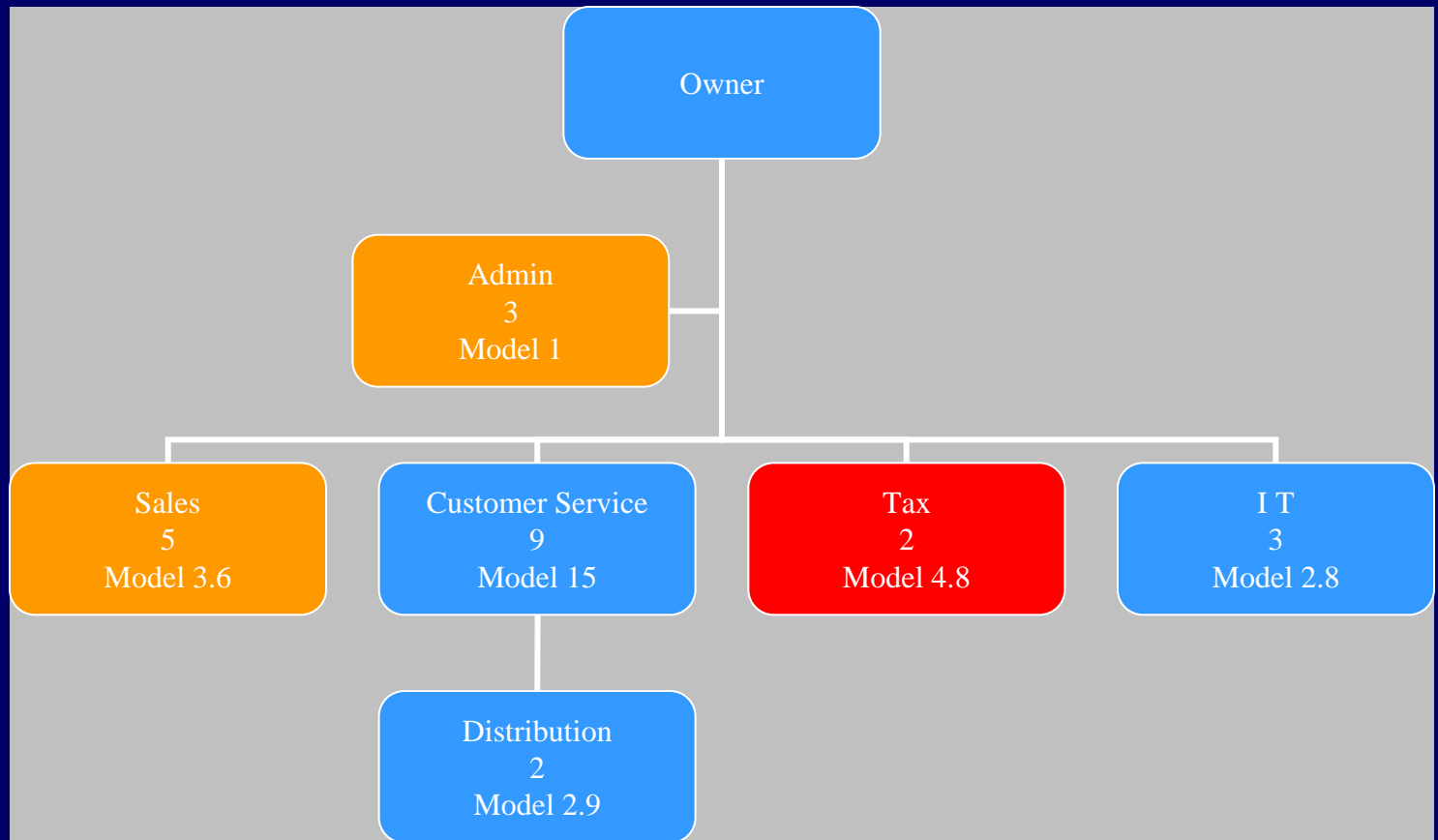


Large Bureau Attrition Rate

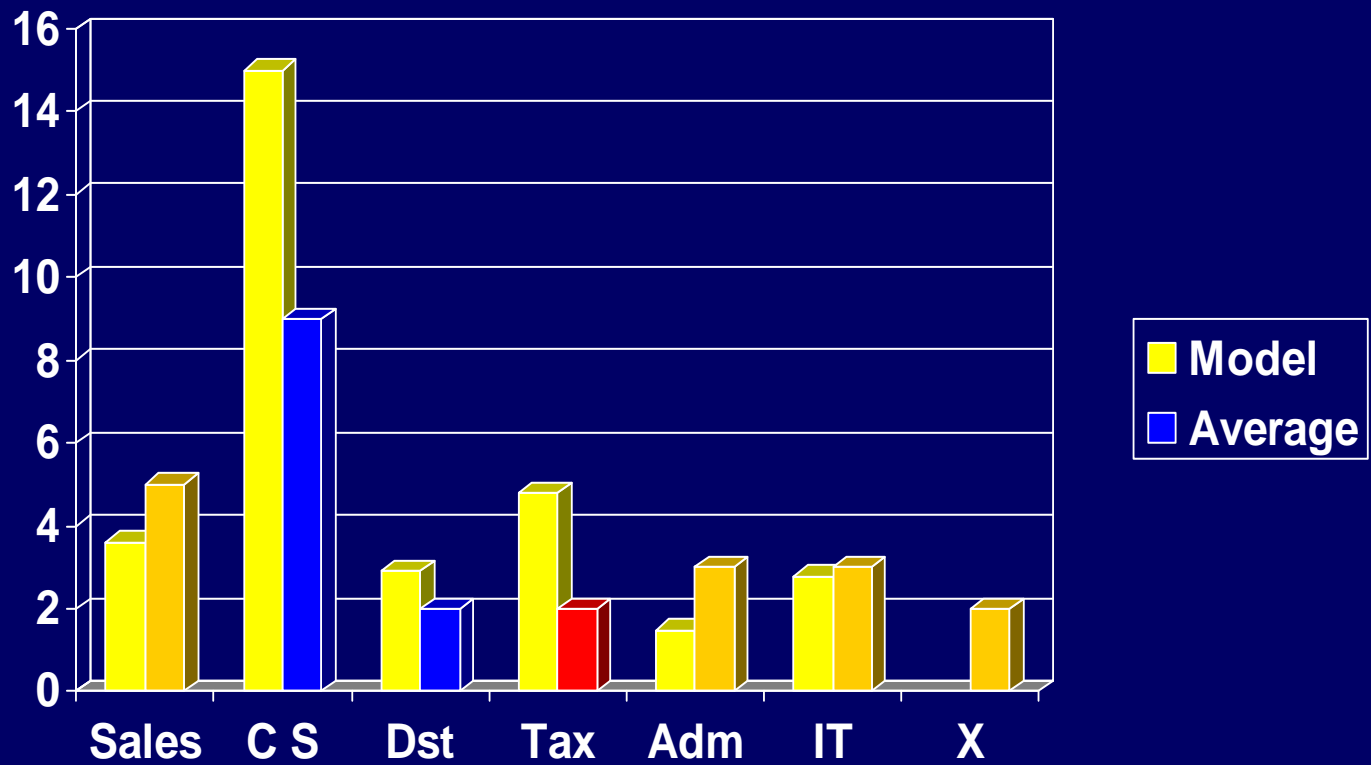


Large Bureau Organization

1532 customers, \$3,011,386 rev



Large Bureau–Employee Distribution



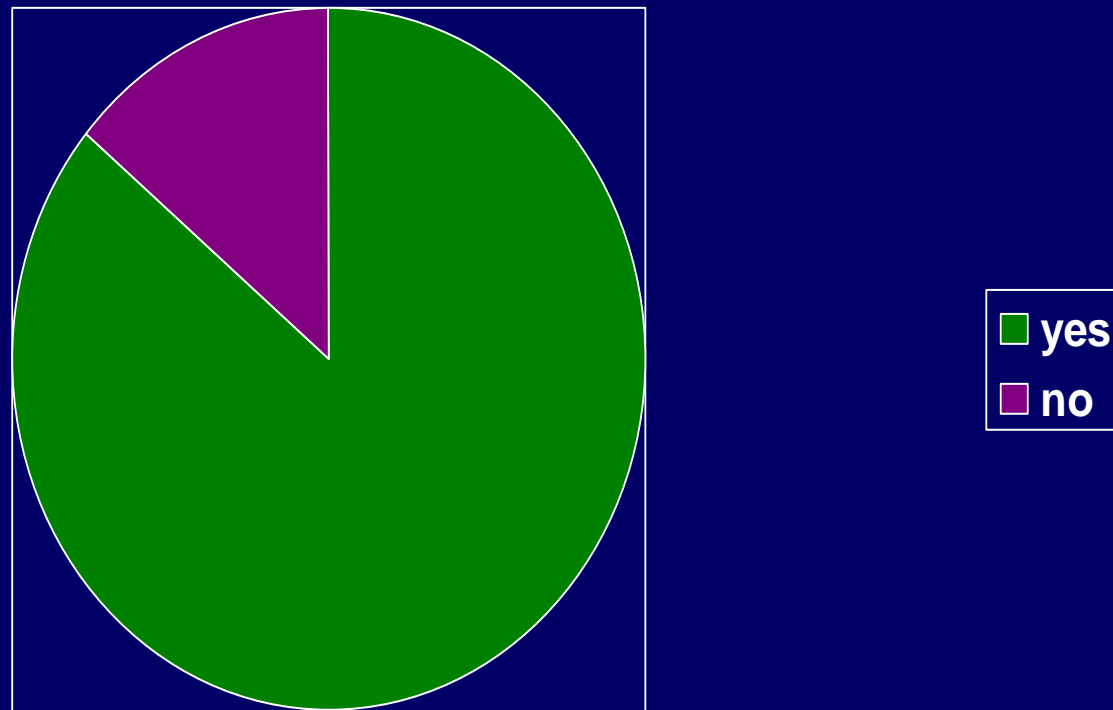


Large Bureau Years in Business



15 years

Large Bureau In-House Tax Filing

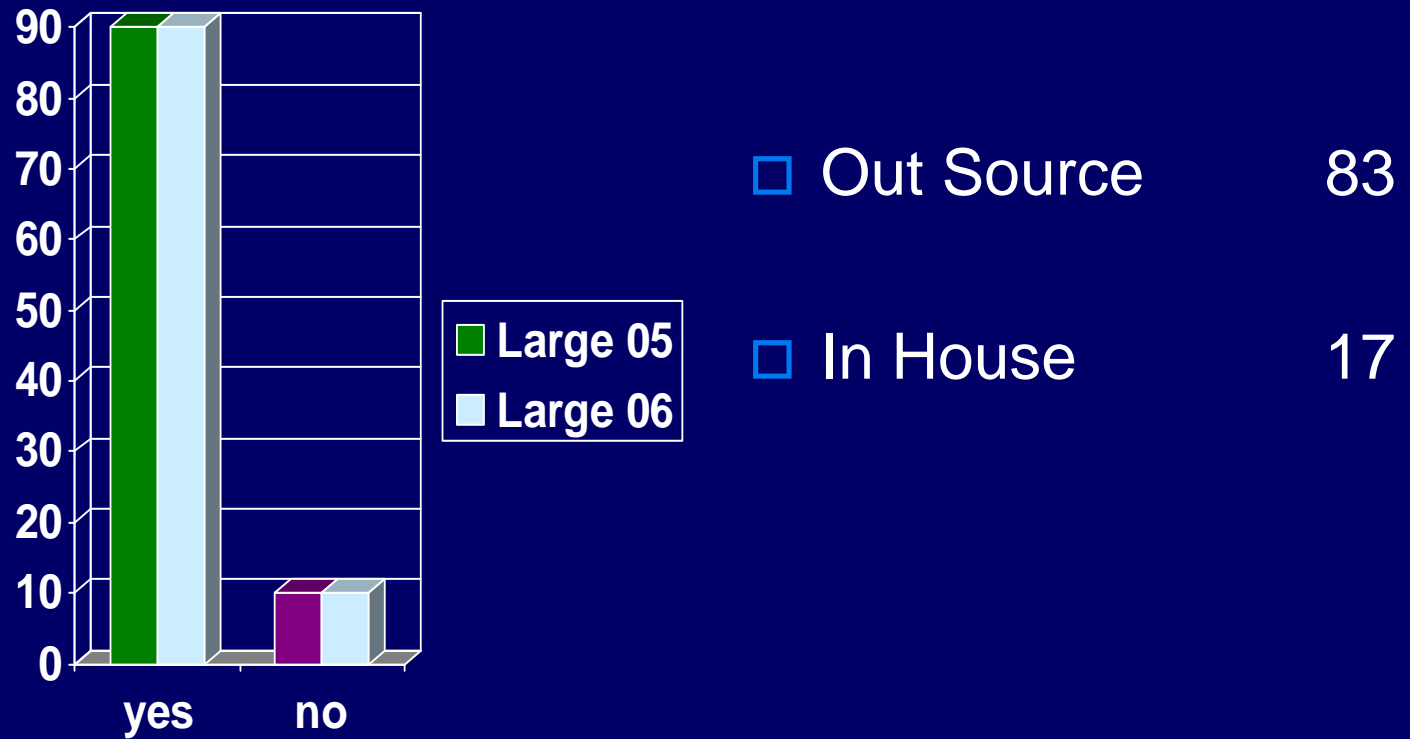




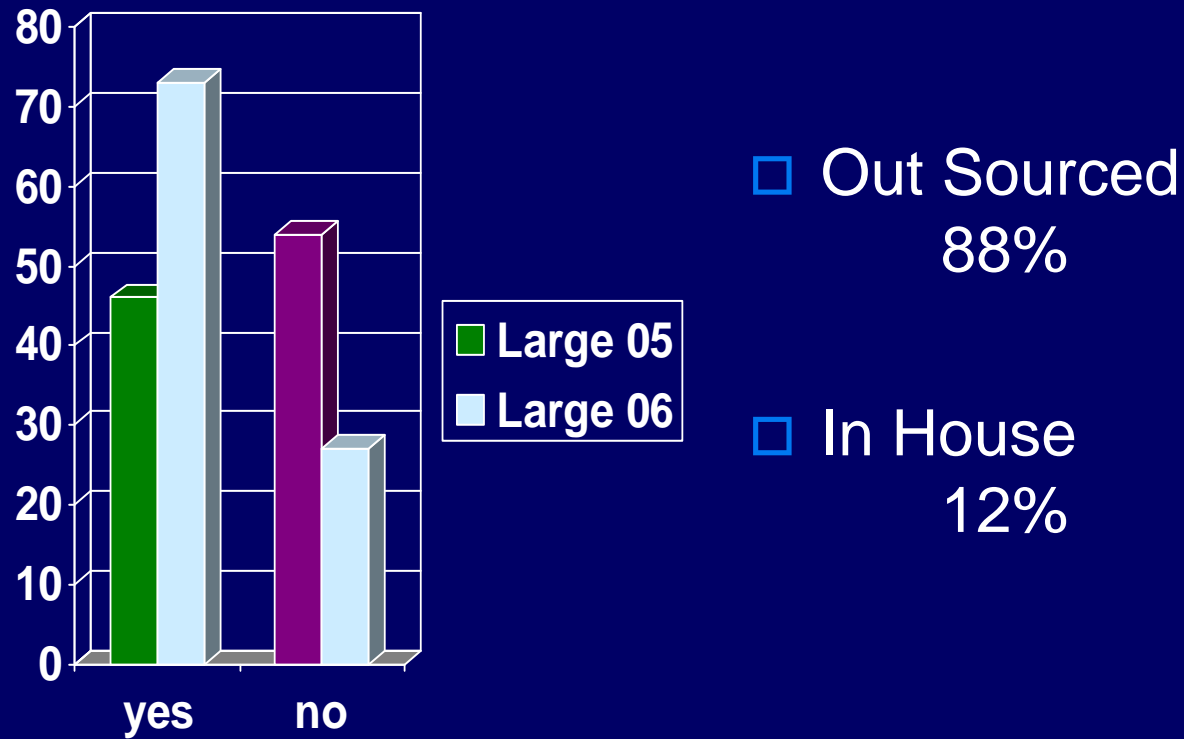
Large Bureau # States Filing

□ Average	36
□ High	51
□ Low	10

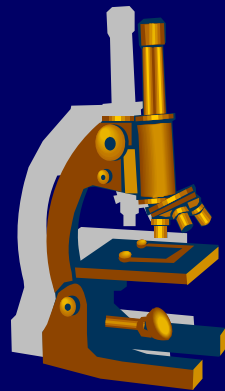
Large Bureau Time & Attendance



Large Bureau Debit/Payroll Card

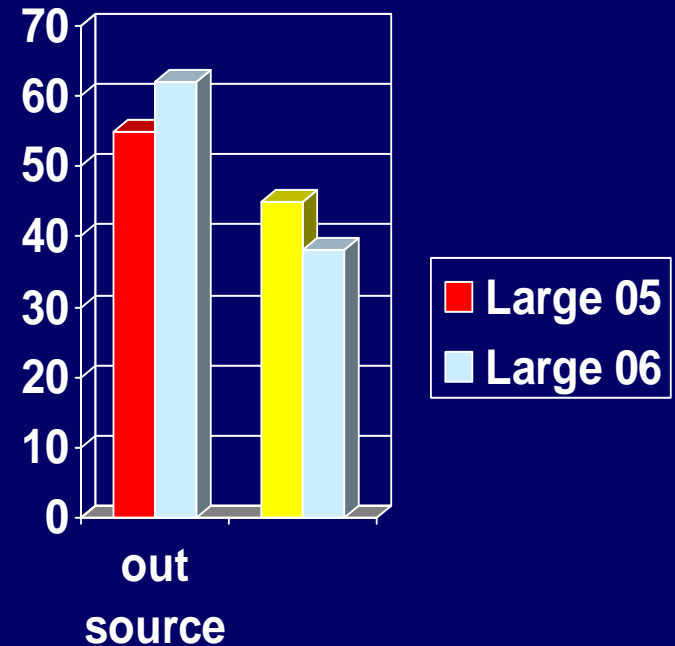
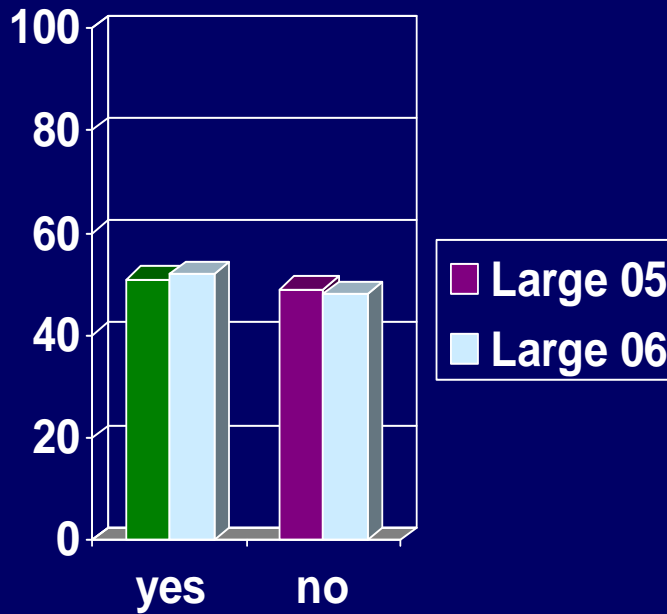


Large Bureau Pre-Employment Screening Service



- Yes 05 06
37% 45%
- No 63% 55%
- Out Sourced
100%

Large Bureau Offering Benefits Administration



Large Bureau Cobra



Yes 05 06
 34% 36%

Out Source

- 05 58%
- 06 75%

Large Bureau Workers' Comp



□ Yes 05 06
69% 85%

□ Out Sourced
■ 05 71%
■ 06 93%



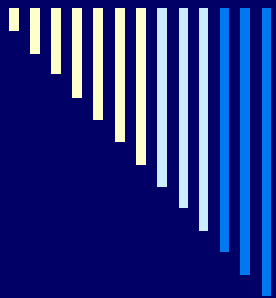
Large Bureau H R Service

	05	06
<input type="checkbox"/> YES	69%	88%
<input type="checkbox"/> Out Source	37%	55%



Large Bureau Insurance

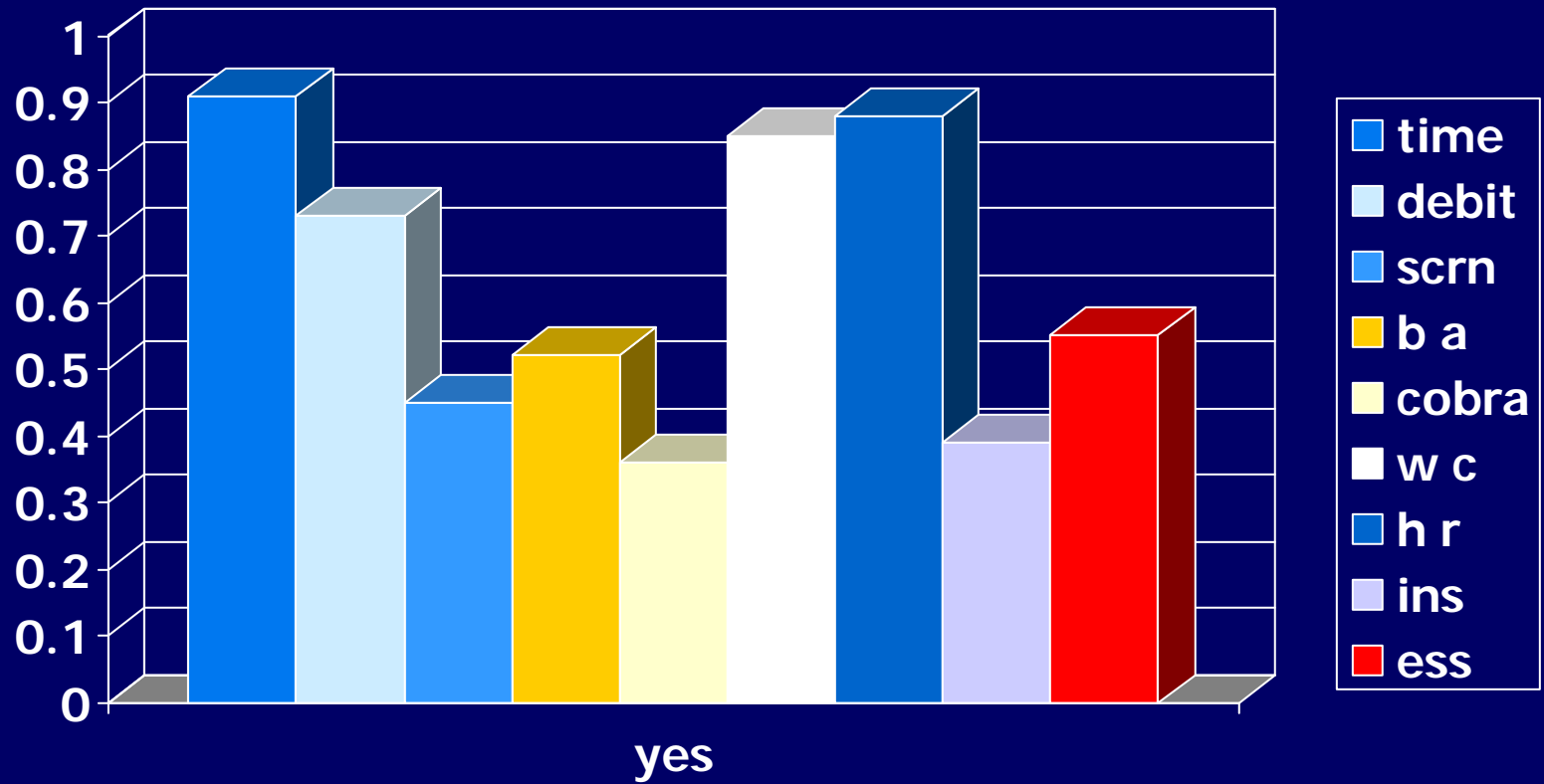
	05	06
<input type="checkbox"/> Yes	40%	33%
<input type="checkbox"/> Out Source	71%	90%



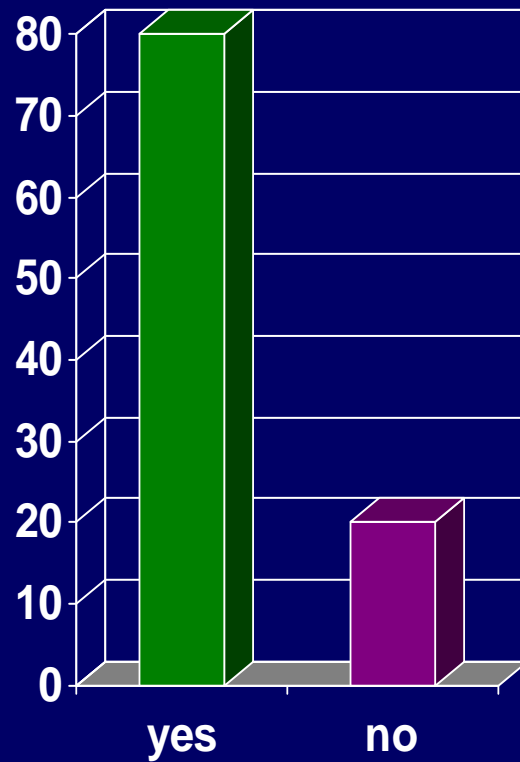
Large Bureau ESS

	05	06
<input type="checkbox"/> Yes	49%	55%
<input type="checkbox"/> Out Source	24%	60%

Large Bureau Service Recap

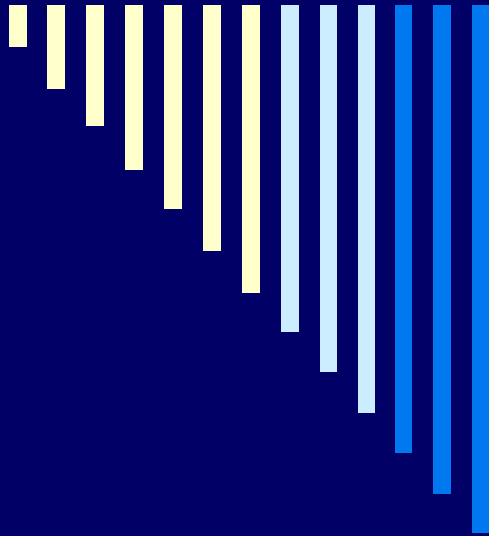


Large Bureau Price Increase in 2007



□ Average 3%

□ Range 0 to 8%



Common Themes for Service Bureaus

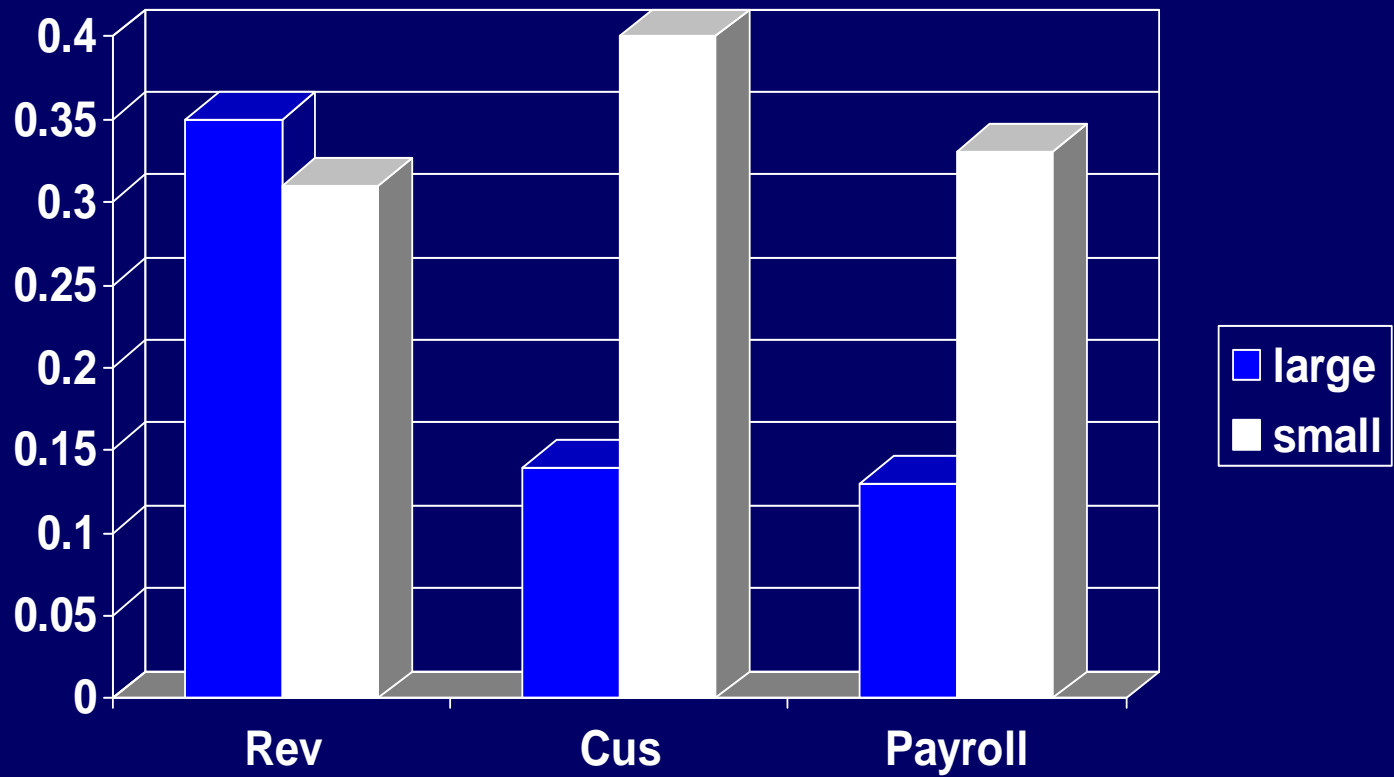
2006



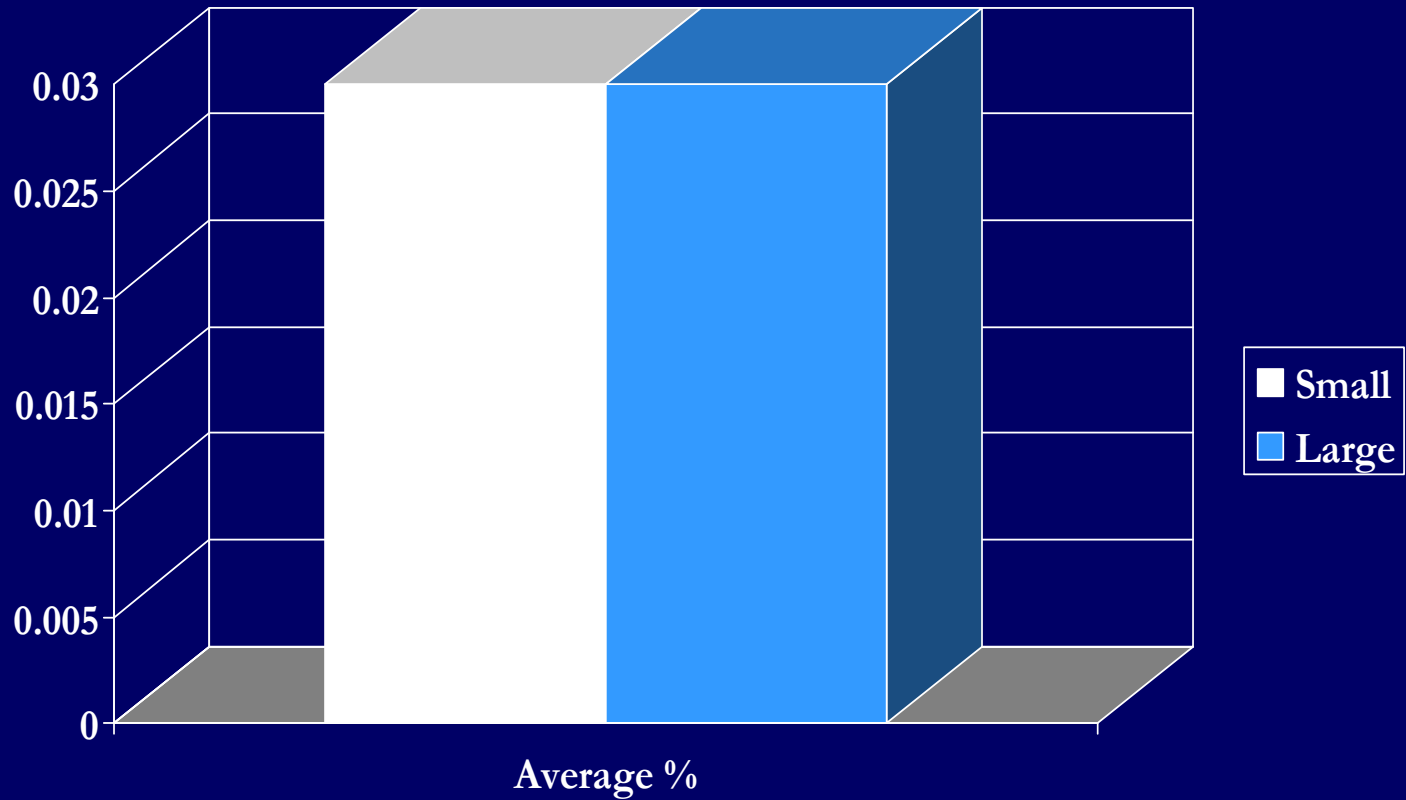
Positive Forces

- Increase in Interest Rates boosted Revenues
- Account acquisitions boosted Revenues
- Cost controls boosted Operating Margin

Trend Compare



Price Changes in the Next 12 months

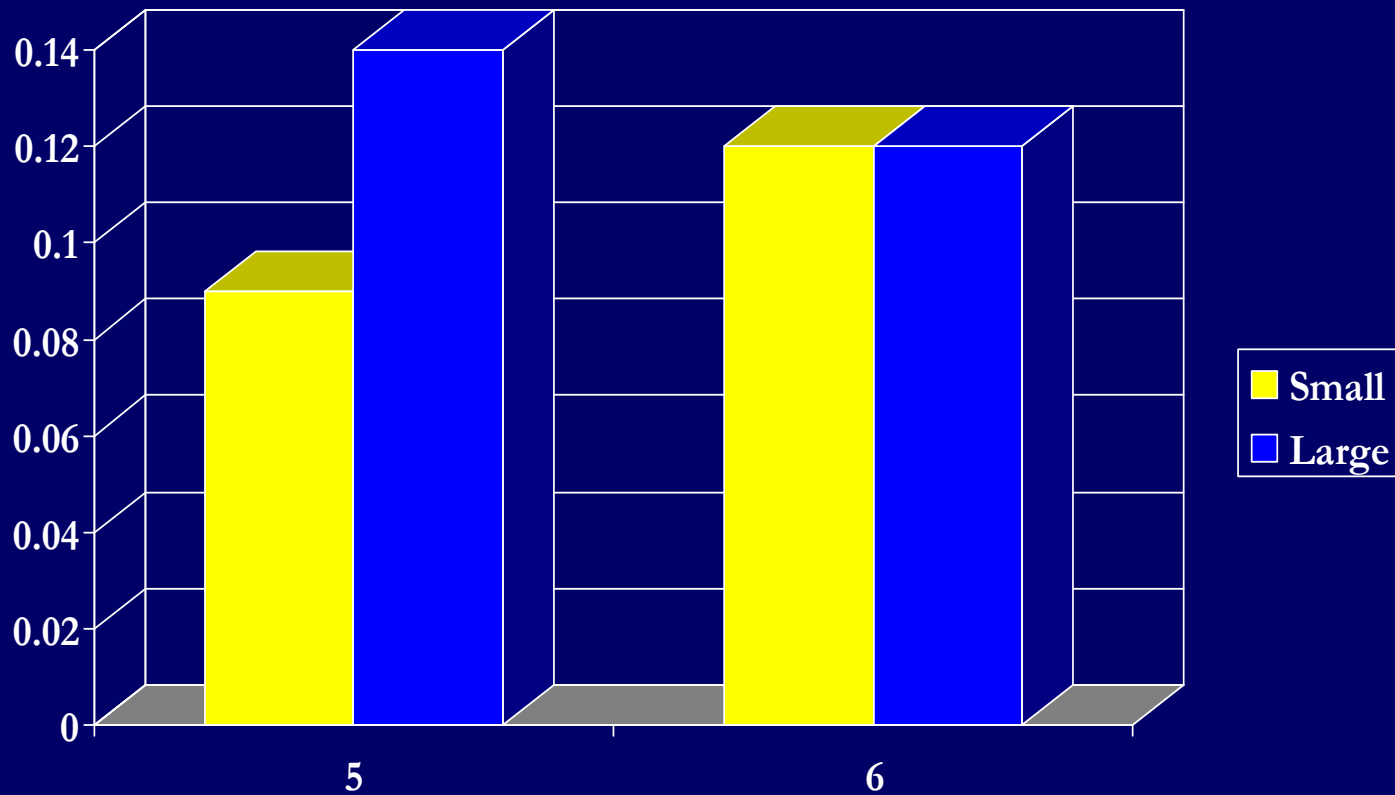




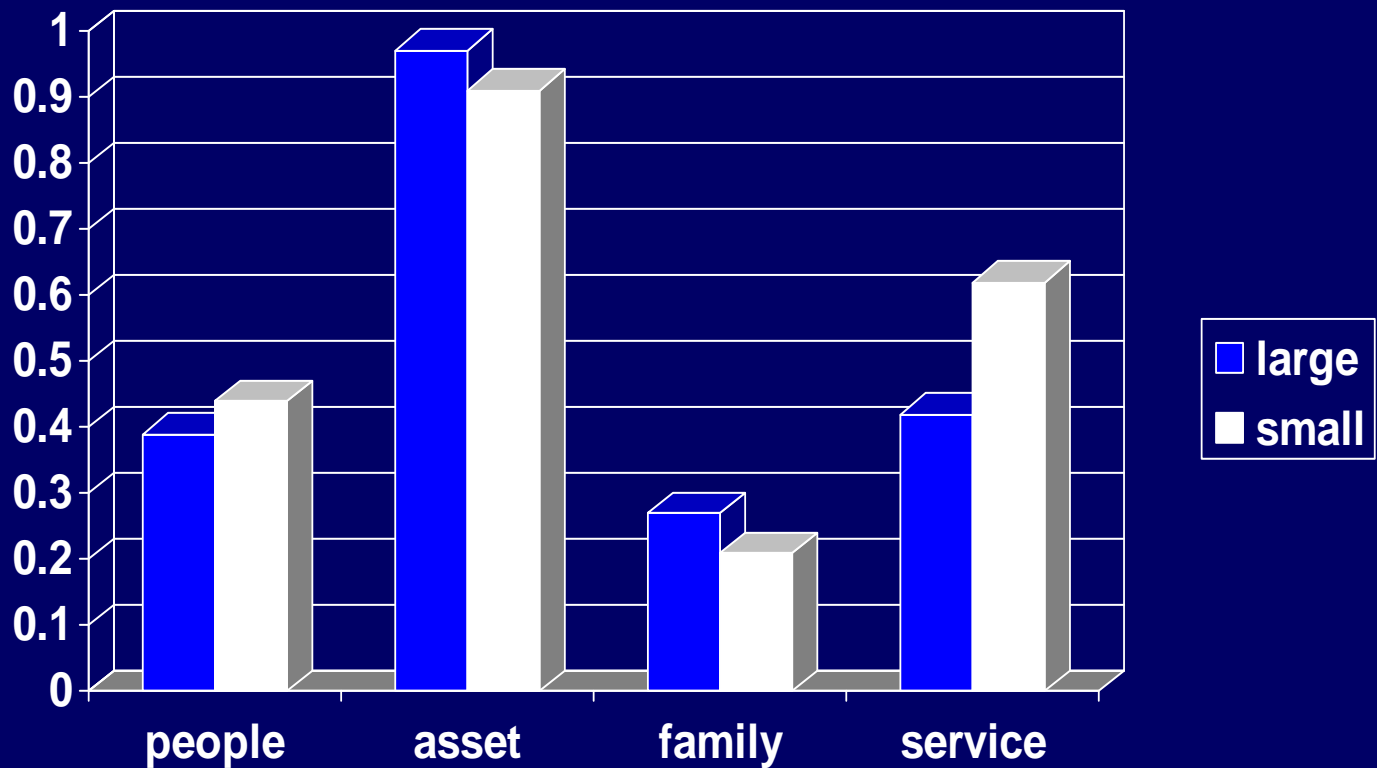
Small Bureau SAS 70

<input type="checkbox"/>	Type I	Type II
<input type="checkbox"/> YES	3%	0
<input type="checkbox"/> NO	97%	

Out Source Tax Service



Why Do You Own a Service Bureau?

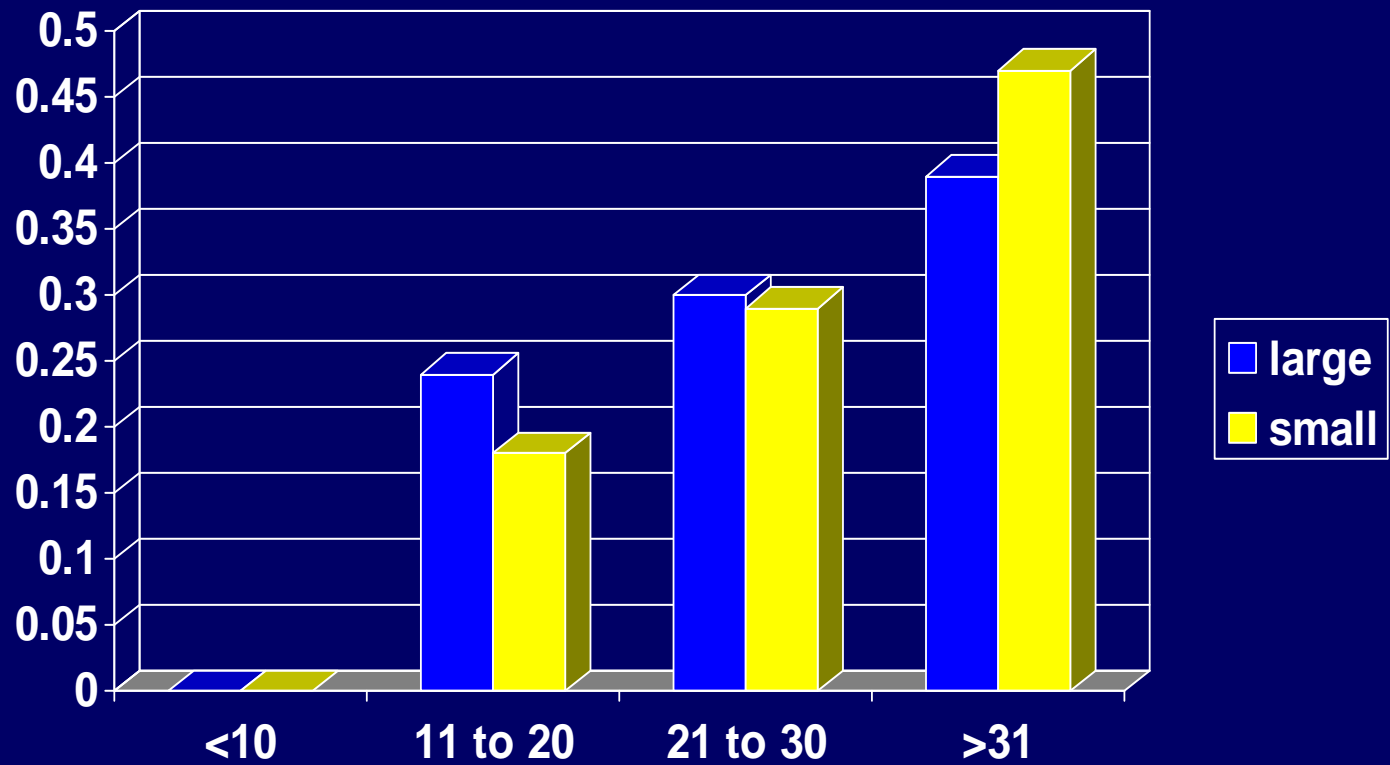




Where Do You Picture Yourself in 5 Years?

<input type="checkbox"/>	Smaller	Larger
<input type="checkbox"/> <2x		12%
<input type="checkbox"/> 2x	53%	61%
<input type="checkbox"/> >2x	41%	21%
<input type="checkbox"/> Sell	6%	6%

Objective: Total Return

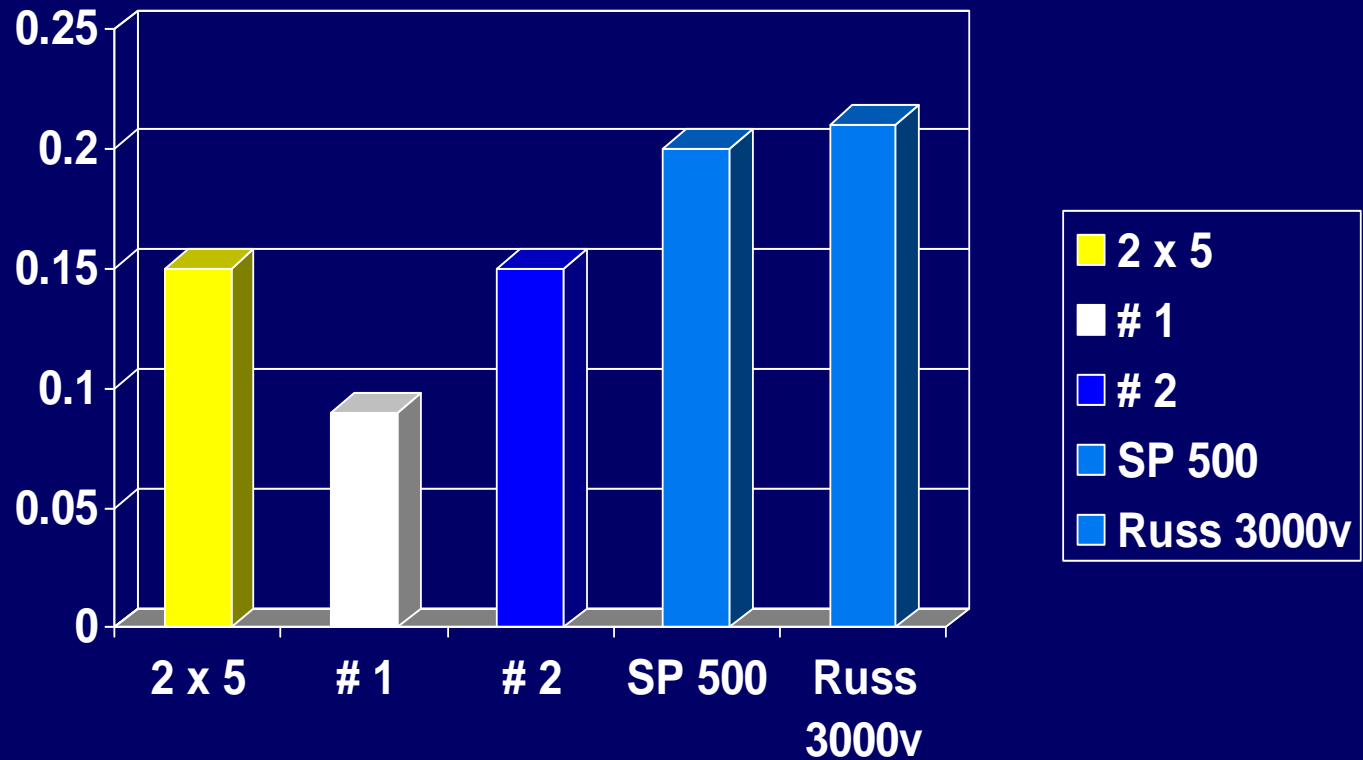




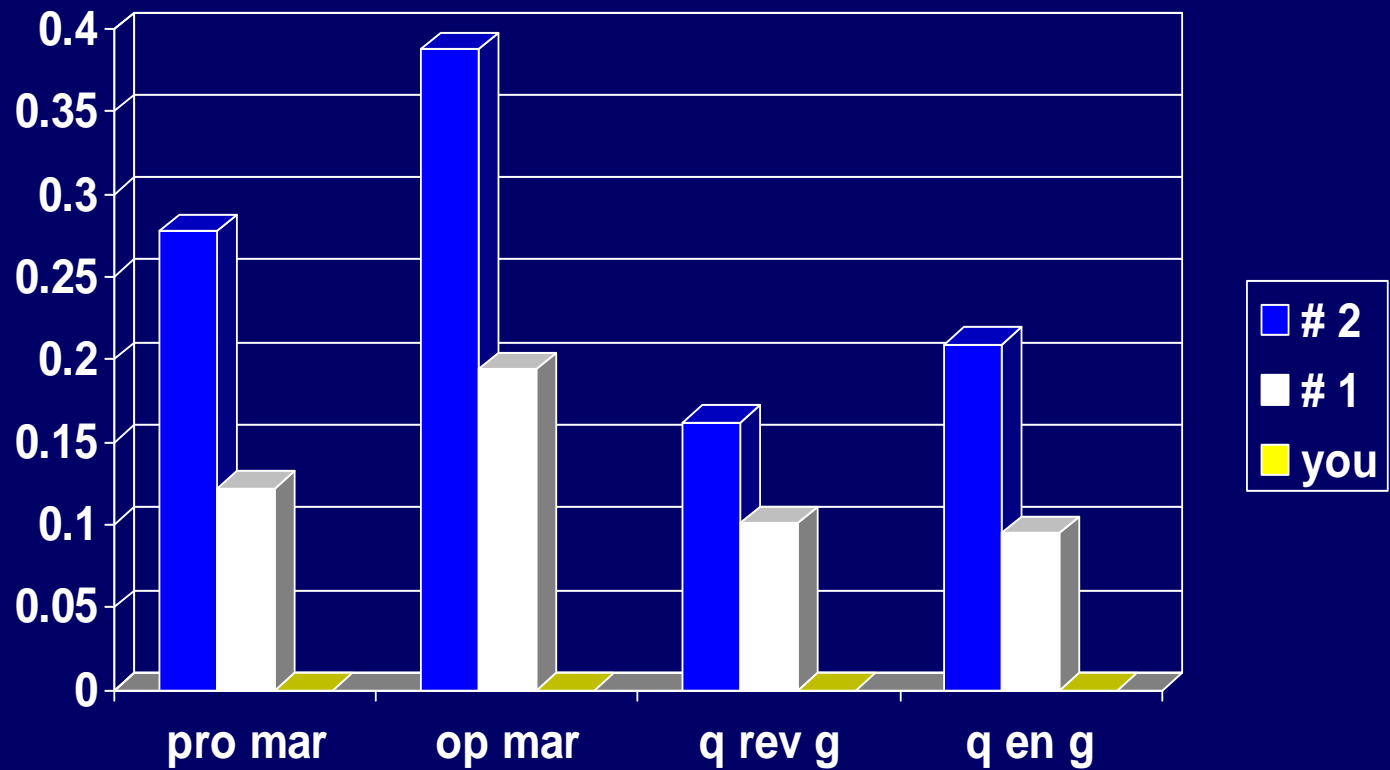
What Was Your Operating Margin in 2006?

<input type="checkbox"/>	Small	Large
<input type="checkbox"/> <10%	21	24
<input type="checkbox"/> 11 to 20%	9	18
<input type="checkbox"/> 21 to 30%	21	18
<input type="checkbox"/> >31%	6	18
<input type="checkbox"/> Failed to State	43	22

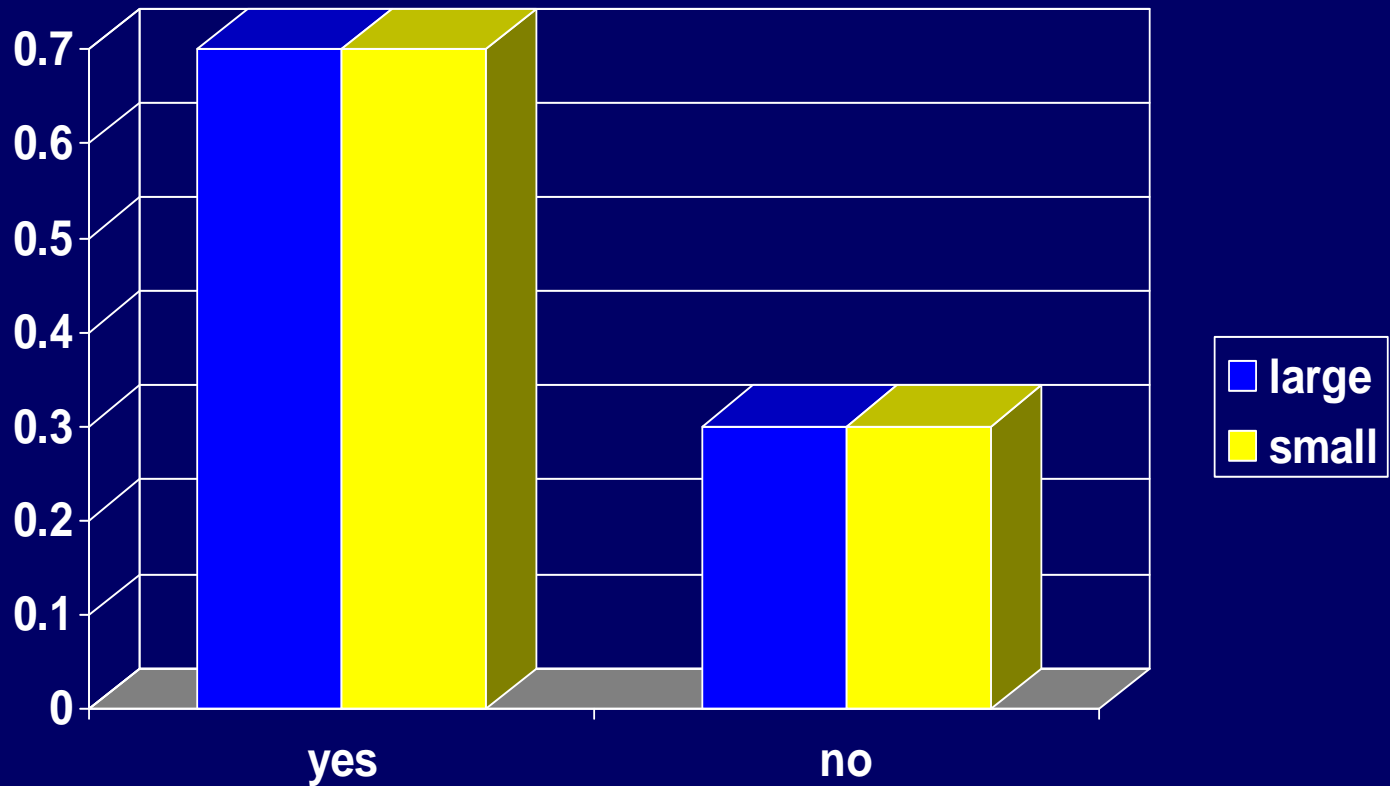
Double In Size – After Tax



Key Financial Ratios



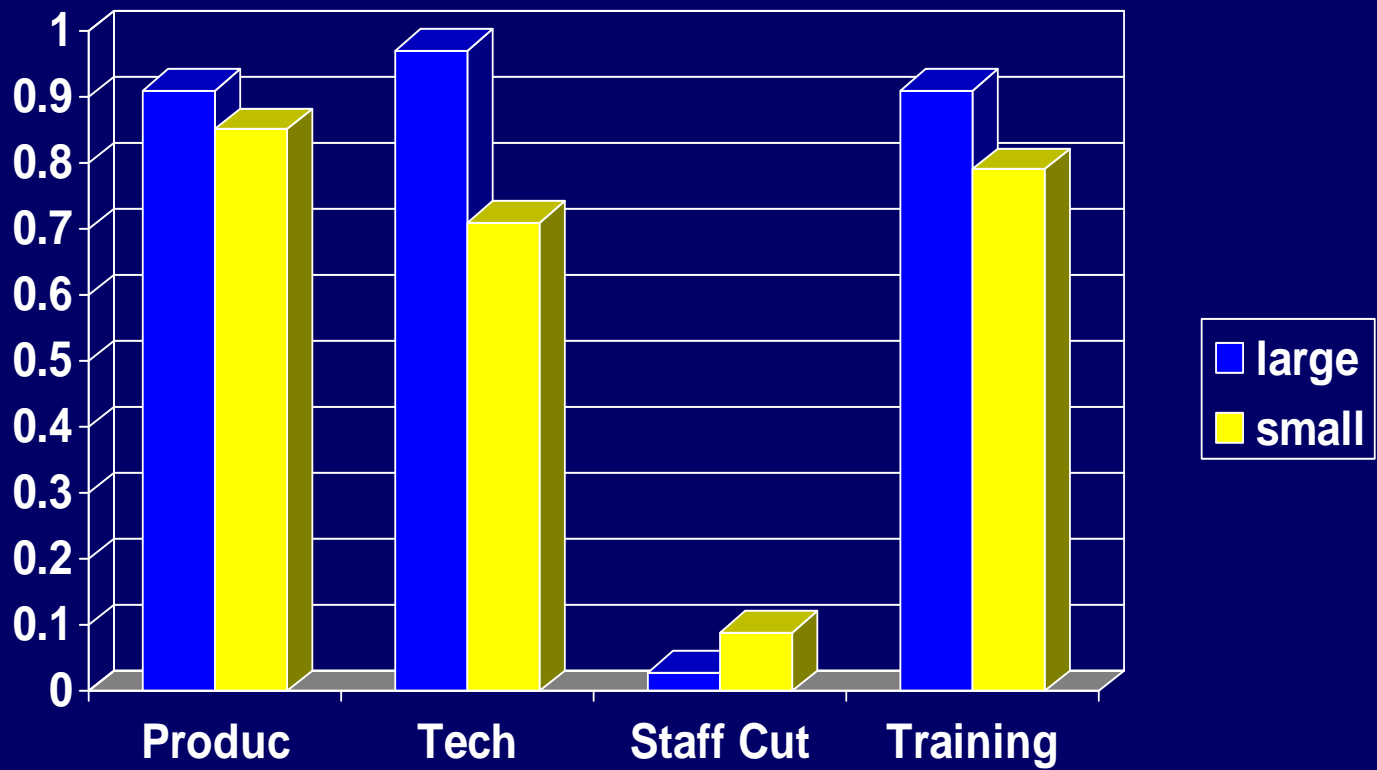
Do You Forecast Your Income Statement?



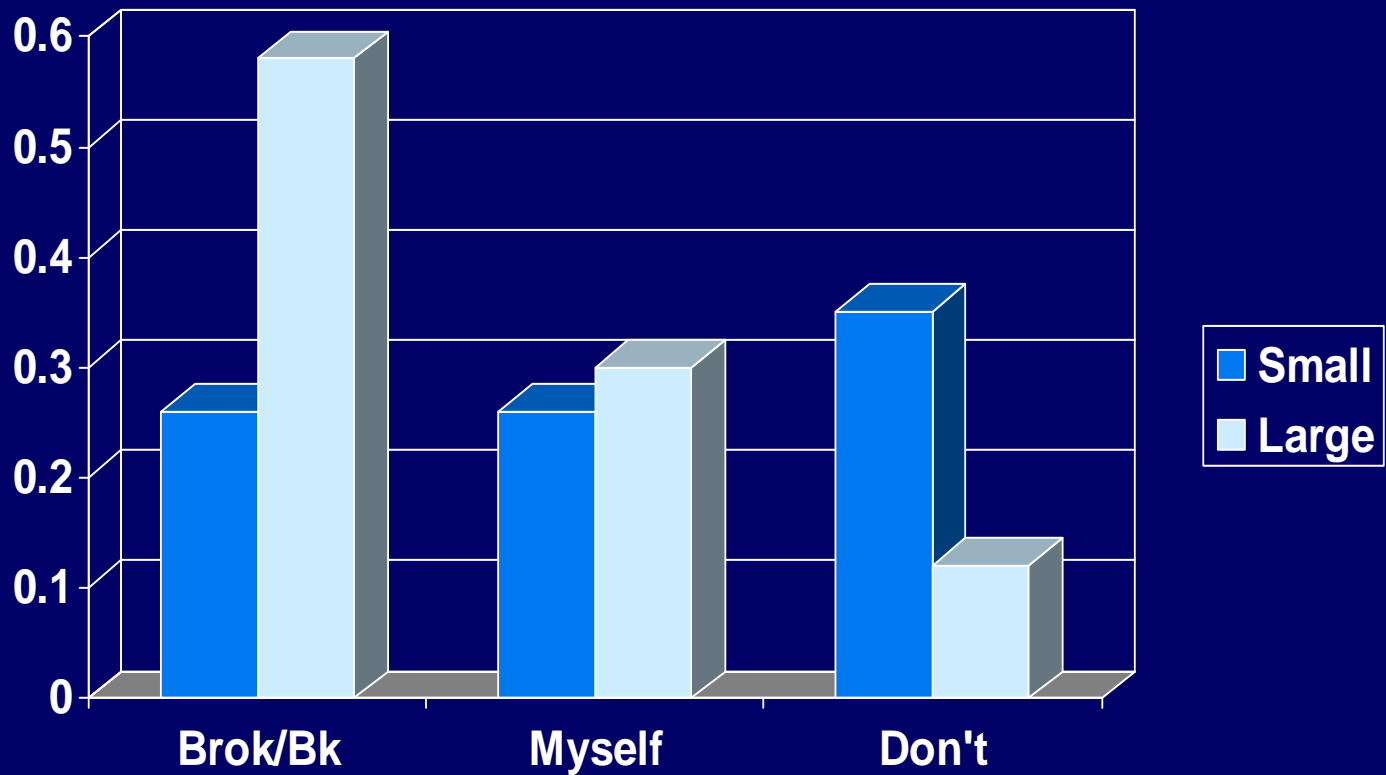
How Do You Plan to Grow Revenues?



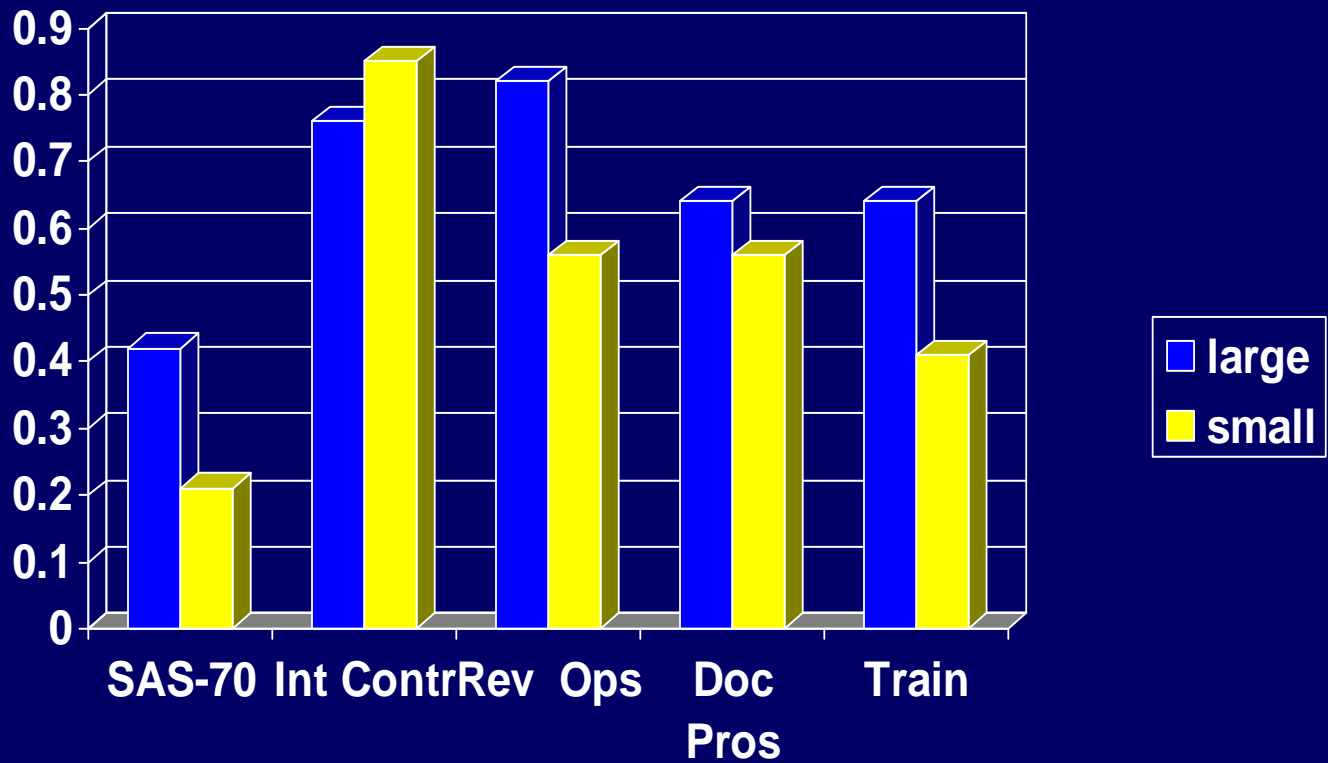
How Do You Plan to Control Expenses?



How Do You Invest Deposits?



What Is Your Risk Management Focus?





Your Future

- ❑ It is still important to know **your** numbers
- ❑ Survey questions look at basic numbers and ask basic questions.
- ❑ You need to know **what to look for** and **where to look** for them
- ❑ You need to know they are **right**.



Tomorrow's Discussion

- Once again the IPPA has given you some peer group data to compare with your own.
- In tomorrow's presentation I want you to ask yourself, "Where do I stand, **what do I know I know** about my customer base; am I using the data I have to build my business and help my customer?"



Tomorrow's Discussion

- Where the **competition** uses data to make better decisions in payroll:
 - **Profit** optimization/building operating margin
 - Not enough in **pricing**
 - **Attributes** of optimal target customer
 - Managing customer **risk**
 - Managing customer **attrition**
 - Hiring and retaining best **employees**



Tomorrow's Discussion

- What is a good operating margin
- 10 things to count...every day



Your Future

- Payroll is a great business
- Focus on the numbers
- Put controls in place and use them
- Benchmark performance against your plan and industry
- **No reason why you can not double the value of your company.**



Thank you



- For listening, again
- For thinking about and returning the surveys



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lester@henshawvierra.com

We can help you manage a better, more profitable bureau.