UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the year ended December 31, 2020
or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from __________ to __________
Commission File Number: 001-36373

TriNet

TRINET GROUP, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**95-3359658**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Park Place, Suite 600	
Dublin, CA	**94568**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (510) 352-5000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock par value $0.000025 per share	TNET	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes ☐ No ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of common stock on The New York Stock Exchange on June 30, 2020, was $2.5 billion.

The number of shares of Registrant's Common Stock outstanding as of February 9, 2021 was 65,990,673.

Portions of the Registrant's Definitive Proxy Statement to be issued in connection with its Annual Meeting of Stockholders, scheduled to be held on May 27, 2021, are incorporated by reference into Part III of this Form 10-K.

TRINET GROUP, INC.
Form 10-K - Annual Report
For the Year Ended December 31, 2020

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Glossary of Acronyms and Abbreviations

Acronyms and abbreviations are used throughout this report, particularly in Part I, Item 1. Business; Part I, Item 1A. Risk Factors; Part II, Item 7. MD&A; Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk and Part II, Item 8. Financial Statements and Supplementary Data.

AB5	Assembly Bill 5
ACA	The Patient Protection and Affordable Care Act
ACH	Automated Clearinghouse Transaction
AFS	Available-for-sale
ASC	Accounting standards codification
ASU	Accounting standards update
CARES Act	Coronavirus Aid Relief and Economic Security Act
CCPA	California Consumer Privacy Act
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COBRA	Consolidated Omnibus Budget Reconciliation Act
COPS	Cost of providing services
COVID-19	Novel coronavirus
CPRA	California Privacy Rights Act
D&A	Depreciation and amortization expenses
DOL	U.S. Department of Labor
EBITDA	Earnings before interest expense, taxes, depreciation and amortization of intangible assets
EPLI	Employment Practices Liability Insurance
EPS	Earnings Per Share
ERISA	Employee Retirement Income Security Act
ESAC	Employer Services Assurance Corporation
ESPP	Employee stock purchase plan
ETR	Effective tax rate
FASB	Financial Accounting Standards Board
FFCRA	Families First Coronavirus Response Act
FLSA	Fair Labor Standards Act
G&A	General and administrative
GAAP	Generally Accepted Accounting Principles in the United States
HIPAA	Health Insurance Portability and Accountability Act
HITECH Act	Health Information Technology for Economic and Clinical Health Act
HR	Human Resources
IBNP	Incurred but not yet paid
IBNR	Incurred but not yet reported
IGP	Indemnity Guarantee Payment
IRS	Internal Revenue Service
ISR	Insurance service revenues
LDF	Loss development factor
LIBOR	London Inter-bank Offered Rate
MCT	Medical cost trend
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations

NIM	Net Insurance Margin
NISR	Net Insurance Service Revenues
NSR	Net service revenues
OE	Operating expenses
PCAOB	Public Company Accounting Oversight Board
PEO	Professional Employer Organization
PFC	Payroll funds collected
PHI	Protected Health Information
PPP	Paycheck Protection Program, a loan program administered by the SBA
PPPFA	Paycheck Protection Program Flexibility Act
PSR	Professional service revenues
Recovery Credit	Program to provide clients with one-time reductions against fees for future services
Reg FD	Regulation Fair Disclosure
ROU	Right-of-use
RSA	Restricted Stock Award
RSU	Restricted Stock Unit
SBA	U.S. Small Business Administration
SBC	Stock Based Compensation
S&M	Sales and marketing
S&P 500	Standard and Poor's 500 Stock Index
SD&P	Systems development and programming
SEC	U.S. Securities and Exchange Commission
SMB	Small and medium-size business
TCJA	Tax Cuts and Jobs Act
U.S.	United States
WSE	Worksite employee

Cautionary Note Regarding Forward-Looking Statements

For purposes of this Annual Report on Form 10-K (Form 10-K), the terms “TriNet,” “the Company,” “we,” “us” and “our” refer to TriNet Group, Inc., and its subsidiaries. This Form 10-K contains statements that are not historical in nature, are predictive in nature, or that depend upon or refer to future events or conditions or otherwise contain forward-looking statements within the meaning of Section 21 of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Forward-looking statements are often identified by the use of words such as, but not limited to, “ability,” “anticipate,” “believe,” “can,” “continue,” “could,” “design,” “estimate,” “expect,” “forecast,” “hope,” “impact,” “intend,” “may,” “outlook,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “strategy,” “target,” “value,” “will,” “would” and similar expressions or variations intended to identify forward-looking statements. Examples of forward-looking statements include, among others, TriNet’s expectations regarding: the impact of the COVID-19 pandemic; the impact of COVID-19 regulations and government programs; the impact of our Recovery Credit program and its suitability for generating client loyalty and retention; our ability to modify or develop service offerings to assist clients affected by COVID-19; the impact of our vertical approach; our ability to leverage our scale and industry HR experience to deliver vertical service offerings; the growth of our client base; planned improvements to our technology platform; our ability to drive operating efficiencies and improve the client experience; the impact of our client service initiatives; the volume and severity of insurance claims and the impact of COVID-19 on claims; metrics that may be indicators of future financial performance; the relative value of our benefit offerings versus those SMBs can independently obtain; the principal competitive drivers in our market; our plans to retain clients and manage client attrition; our investment strategy and its impact on our ability to generate future interest income, net income, and Adjusted EBITDA; seasonal trends and their impact on our business and the impact of COVID-19 on those trends; fluctuations in the period-to-period timing of when we incur certain operating expenses; the estimates and assumptions we use to prepare our financial statements; and other expectations, outlooks and forecasts on our future business, operational and financial performance.

Important factors that could cause actual results, level of activity, performance or achievements to differ materially from those expressed or implied by these forward-looking statements are discussed above and throughout this Form 10-K, including under Part I, Item 1A. Risk Factors, and Part II, Item 7. MD&A, and in the other periodic filings we make with the SEC, and including risk factors associated with: the economic, health and business disruption caused by the COVID-19 pandemic; the impact of the COVID-19 pandemic on our clients and prospects, insurance costs and operations; the impact of the COVID-19 pandemic on the laws and regulations that impact our industry and clients; our ability to mitigate the business risks we face as a co-employer; our ability to manage unexpected changes in workers’ compensation and health insurance claims and costs by worksite employees; the effects of volatility in the financial and economic environment on the businesses that make up our client base, and the concentration of our clients in certain geographies and industries; the impact of failures or limitations in the business systems we rely upon; the impact of our Recovery Credit program; adverse changes in our insurance coverage or our relationships with key insurance carriers; our ability to improve our technology to satisfy regulatory requirements and meet the expectations of our clients and manage client attrition; our ability to effectively integrate businesses we have acquired or may acquire in the future; our ability to effectively manage and improve our operational processes; our ability to attract and retain qualified personnel; the effects of increased competition and our ability to compete effectively; the impact on our business of cyber-attacks and security breaches; our ability to secure our information technology infrastructure and our confidential, sensitive and personal information; our ability to comply with constantly evolving data privacy and security laws; our ability to manage changes in, uncertainty regarding, or adverse application of the complex laws and regulations that govern our business; changing laws and regulations governing health insurance and employee benefits; our ability to be recognized as an employer of worksite employees under federal and state regulations; changes in the laws and regulations that govern what it means to be an employer, employee or independent contractor; our ability to comply with the laws and regulations that govern PEOs and other similar industries; the outcome of existing and future legal and tax proceedings; fluctuation in our results of operation and stock price due to factors outside of our control, such as the volume and severity of our workers’ compensation and health insurance claims and the amount and timing of our insurance costs, operating expenses and capital expenditure requirements; our ability to comply with the restrictions of our credit facility and meet our debt obligations; and the impact of concentrated ownership in our stock. Any of these factors could cause our actual results to differ materially from our anticipated results.

Forward-looking statements are not guarantees of future performance, but are based on management's expectations as of the date of this Form 10-K and assumptions that are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from our current expectations and any past results, performance or achievements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

The information provided in this Form 10-K is based upon the facts and circumstances known at this time, and any forward-looking statements made by us in this Form 10-K speak only as of the date of this Form 10-K. We undertake no obligation to revise or update any of the information provided in this Form 10-K, except as required by law.

Part II, Item 7. MD&A of this Form 10-K includes references to our performance measures presented in conformity with GAAP and other non-GAAP financial measures that we use to manage our business, to make planning decisions, to allocate resources and to use as performance measures in our executive compensation plans. Refer to the Non-GAAP Financial Measures in Part II, Item 7. MD&A for definitions and reconciliations from GAAP measures.

Website Disclosures

We use our website (www.trinet.com) to announce material non-public information to the public and to comply with our disclosure obligations under Regulation Fair Disclosure (Reg FD). We also use our website to communicate with the public about our Company, our services, and other matters. Our SEC filings, press releases and recent public conference calls and webcasts can also be found on our website. The information we post on our website could be deemed to be material information under Reg FD. We encourage investors and others interested in our Company to review the information we post on our website. Information contained in or accessible through our website is not a part of this report.

PART I

Item 1. Business

TriNet is a leading provider of HR expertise, payroll services, employee benefits and employment risk mitigation services for SMBs. Since our founding in 1988, TriNet has served, and continues to serve, thousands of SMBs. In 2020, we processed $44.9 billion in payroll and payroll taxes for our clients and ended the year with approximately 17,700 clients and 331,900 WSEs, primarily in the U.S.

Our Services

To free SMBs from HR complexities, we deliver a comprehensive suite of services that help our clients administer and manage various HR-related needs and functions, such as compensation and benefits, payroll processing, employee data, health insurance and workers' compensation programs, and other transactional HR needs using our technology platform and HR, benefits and compliance expertise. We empower SMBs to focus on what matters most - growing their business.

We leverage our scale and industry HR experience to deliver our service offerings for SMBs in specific industry verticals. We believe our vertical approach is a key differentiator for us and creates additional value for our clients thanks to service offerings that are tailored to address industry-specific HR needs. We offer six industry-tailored vertical services: TriNet Financial Services, TriNet Life Sciences, TriNet Main Street, TriNet Nonprofit, TriNet Professional Services, and TriNet Technology.

Our comprehensive HR solutions include the following capabilities:

HR CONSULTING EXPERTISE | **BENEFIT OPTIONS** | **PAYROLL SERVICES** | **RISK MITIGATION** | **TECHNOLOGY PLATFORM**

HR Consulting Expertise

We use the collective knowledge and experience of our teams of HR, benefits, risk management and compliance professionals to help clients manage many of the administrative, regulatory and practical requirements associated with being employers. These professionals and our services help clients address a variety of client HR needs, including consulting on talent management, retention and terminations, benefits enrollment, immigration and visas, payroll tax credits, labor law and regulatory developments and many other industry-specific and general HR topics. Depending on their needs, our clients and WSEs have access to varying levels of service and support from our professionals, ranging from call center support for basic questions, to pooled HR resources, to onsite consulting and services. Our professionals also provide additional specialized HR consulting and services upon request.

Benefit Options

We utilize our scale to provide our clients and WSEs access to a broad range of TriNet-sponsored employee benefit and insurance programs at costs that we believe most of our clients would be unable to obtain on their own. We believe that our TriNet-sponsored programs help clients compete for talent against larger businesses. Our benefit and insurance programs are designed to comply with federal, state and local regulations, and our benefit and insurance service offerings include plan selection and administration, enrollment management, leave management, plan document distribution and WSE and client communications.

Under our benefit and insurance programs, we pay third-party insurance carriers for WSE insurance benefits and reimburse insurance carriers or third-party administrators for claims payments within our insurance deductible layer, where applicable.

We sponsor and administer several employee benefit plans through a broad range of carriers, including group health, dental, vision, short- and long-term disability, and life insurance as an employer plan sponsor under Section 3(5) of ERISA. We also provide for other benefit programs to be made available to WSEs, including flexible spending accounts, health savings accounts, retirement benefits, COBRA benefits, supplemental insurance, commuter benefits, home insurance, critical illness insurance, accident insurance, hospital indemnity, pet insurance, and auto insurance. For further discussion of our insurance programs, including policies where we reimburse our carriers for certain amounts relating to claims, refer to Note 1 in Part II, Item 8. Financial Statements and Supplementary Data, of this Form 10-K.

Payroll Services

We help clients manage all aspects of their employee compensation by providing multi-state payroll processing, tax administration services and other payroll-related services, such as time and attendance management, time off and overtime tracking, and expense management solutions. Our clients and WSEs can access payroll and tax information using our online and mobile tools. Our tax administration services include calculating, withholding, remitting and reporting certain federal, state and local payroll and unemployment taxes on behalf of clients and WSEs.

Risk Mitigation

We monitor employment-related legal and regulatory developments at the federal, state, and local levels to help our clients comply with employment laws and mitigate many of the risks associated with being an employer. We provide guidance on employment laws and regulations, including those relating to minimum wage, unemployment insurance, family and medical leave and anti-discrimination. We also ensure that our TriNet-sponsored benefit plans comply with applicable laws and regulations, like the ACA, reducing this compliance burden to our clients.

We provide fully-insured workers' compensation insurance coverage for our clients and WSEs through insurance policies that we negotiate with our third-party insurance carriers. We manage the deductible risk that we assume in connection with these policies by being selective in the types of businesses that we take on as new clients, and by monitoring claims data and the performance of our carriers and third-party claims management service providers. In addition, we advise clients on workers' compensation best practices, including by performing workplace assessment consultations and assisting with client efforts to identify conditions or practices that might lead to employee injuries.

We also provide EPLI coverage for our clients through insurance policies that we obtain from a third-party EPLI carrier. These policies provide coverage for certain claims that arise in the course of the employment relationship, such as discrimination, harassment, and certain other employee claims, with a per-claim retention amount. The retention amount is allocated on a pre-determined basis between the client and TriNet. Our professionals assist our clients in implementing HR best practices to help avoid and reduce the cost of employment-related liabilities. Litigation defense is conducted by our preferred outside employment law firms.

Technology Platform

Our technology platform includes online and mobile tools that allow our clients and WSEs to store, view, and manage HR information and administer a variety of HR transactions, such as payroll processing, tax administration, employee onboarding and termination, compensation reporting, expense management, and benefits enrollment and administration. Our online tools also incorporate workforce analytics, allowing clients to generate HR data, payroll, total compensation and other custom reports.

Our Co-Employment Model

We operate using a co-employment model, under which employment-related responsibilities are allocated by contract between us and our clients. This model allows WSEs to receive the full benefit of our services, including access to TriNet-sponsored employee benefit plan offerings. Each of our clients enters into a client service agreement with us that defines the suite of services and benefits to be provided by us, the fees payable to us, and the division of responsibilities between us and our clients as co-employers. WSEs also separately acknowledge the co-employment relationship and the allocation of employment-related responsibilities between TriNet and our clients. The division of responsibilities under our client service agreements is typically as follows:

TriNet Responsibilities

We generally assume responsibility for, and manage certain risks associated with:

- payments of salaries, wages and certain other compensation to WSEs from our own bank accounts (based on client reports and payments), including the processing of garnishment and wage deduction orders,
- reporting of wages, withholding and deposit of associated payroll taxes as the employer of record,
- provision and maintenance of workers' compensation insurance and workers' compensation claims processing,
- access to, and administration of, group health, welfare, and retirement benefits to WSEs under TriNet-sponsored benefit plans,
- compliance with applicable law for certain employee benefits offered to WSEs,
- administration of unemployment claims, and
- provision of various HR policies and agreements, including employee handbooks and worksite employee agreements describing the co-employment relationship.

Client Responsibilities

Our clients are responsible for employment-related responsibilities that we do not specifically assume, generally including:

- day-to-day management of their worksites and WSEs,
- compliance with laws associated with the classification of employees as exempt or non-exempt, such as overtime pay and minimum wage law compliance,
- accurate and timely reporting to TriNet of compensation and deduction information, including information relating to hours worked, rates of pay, salaries, wages and other compensation, and work locations,
- accurate and timely reporting to TriNet of information relating to workplace injuries, employee hires and termination, and certain other information relevant to TriNet’s services,
- provision and administration of any employee benefits not provided by TriNet such as equity incentive plans,
- compliance with all laws and regulations applicable to the clients' workplace and business, including work eligibility laws, laws relating to workplace safety or the environment, laws relating to family and medical leave, laws pertaining to employee organizing efforts and collective bargaining and employee termination notice requirements,
- payment of TriNet invoices, which include salary, wages and other relevant compensation to WSEs and applicable employment taxes and service fees, and
- all other matters for which TriNet does not assume responsibility under the client service agreement, such as intellectual property ownership and protection and liability for products produced and services provided by the client company to its own clients.

As a result of our co-employment relationships, we are liable for payment of salary, wages and certain other compensation to the WSEs as reported and paid to us by the client, and are responsible for providing specified employee benefits to such persons to the extent provided in each client service agreement and under federal and state law. In most instances, clients are required to remit payment prior to the applicable payroll date by wire transfer or ACH.

We also assume responsibility for payment and liability for the withholding and remittance of federal and state income and employment taxes with respect to salaries, wages and certain other compensation paid to WSEs, although we reserve the right to seek recourse against our clients for any liabilities arising out of their conduct. We perform these functions as the statutory employer for federal employment tax purposes, since our clients transfer legal control over these payroll functions to us. The laws that govern the payment of salaries, wages and related payroll taxes for our WSEs are complex and the various federal, state and local laws that govern such payments can vary significantly. Based on applicable law in any jurisdiction, we or our client may be held ultimately liable for those obligations if we fail to remit taxes.

Market Trends and Developments Affecting Our Business in 2020

The COVID-19 pandemic was the most significant development we faced in 2020. COVID-19 related stay-at-home mandates and social distancing practices resulted in a nationwide economic slowdown and an unprecedented disruption to the businesses of our clients, the PEO industry and our business. We observed the following PEO industry trends in 2020 as a result of the COVID-19 pandemic:

- *SMB Economic Distress*. SMBs generally suffered, and we expect they will continue to suffer, from headcount freezes, furloughs and terminations, partial or complete business shutdowns, as well as reduced budgets and liquidity issues.
- *Increased Insurance Cost Variability and Volatility*. The volume of medical claims, including COVID-19 testing and treatment costs, changed. We observed significant fluctuations in the use of medical services, particularly in the second quarter of 2020, as enrollees deferred or cancelled elective procedures and outpatient medical, dental and vision services.
- *New Laws and Regulations*. New laws and programs were passed to assist SMBs and their employees during the COVID-19 pandemic, including the federal FFCRA and CARES Act and PPPFA business loan, employment, and tax assistance programs, and various state and local labor, employment and tax assistance programs. We expect legislative efforts to help SMBs and employees to continue and we will need to continue to create or redesign our services to provide support for as many of these programs as possible.

For more information regarding the developments above, including the impact of COVID-19 on our business and operations, see Part II, Item 7. MD&A in this Form 10-K, and Part I, Item 1A. Risk Factors under the subheading "*Risks Related to the COVID-19 Pandemic"*.

Our Service Development Efforts

We continued to make significant investments in our technology platform with projects intended to provide our users with improved functionality, HR management options, and security. We intend to continue to invest in our technology platform to improve its functionality, ease of use, security and the overall user experience for our clients and WSEs. We believe the continued investment in and improvement of our technology platform will drive operating efficiencies over the long term and improve our client experience.

In April 2020, we created our Recovery Credit program to assist in the economic recovery of our existing clients and enhance our ability to retain these clients. Eligible clients receive one-time reductions against fees for future services, accounted for as a discount, to be received over the following 12 months. The ultimate amount of the Recovery Credit eligible clients will receive is dependent on our future performance and is subject to a limit on the total amount. Our Recovery Credit program is designed to promote client loyalty, incentivize client retention, and to differentiate TriNet from its peers in the PEO industry and in other competing HR services industries.

In March 2020, the FFCRA and the CARES Act were signed into law, creating several important funding and payroll tax incentive programs for SMBs, including PPP, mandatory employee leave requirements, payroll tax deferral and tax credit programs and other employment- and employment tax-related incentives. The PPPFA was signed into law in June 2020, modifying and expanding the original PPP. The appropriations package passed in December 2020 further expanded the availability of some of the employee leave and tax credit programs available to SMBs and their employees during 2021 as well as the PPP. These developments required us to create new services, or redesign our existing services, to support these programs.

To engage with our clients and SMBs virtually we launched our COVID-19 Preparedness Center, which provides ongoing and timely webinars, information, resources and offerings to clients and other SMBs to help them navigate the rapidly changing and complex COVID-19 business landscape. In the fourth quarter of 2020 we hosted the first annual TriNet PeopleForce, our virtual client and prospect conference, where we provided insights, thought leadership and recommendations for the challenges they face.

Our Clients and Geographies

Our clients are distributed across a variety of industries, including technology, professional services, financial services, life sciences, not-for-profit, property management, retail, manufacturing, and hospitality. We generally support these different clients using our industry-tailored vertical approach. Our clients generally execute annual service contracts with us that automatically renew. In most cases, our clients may cancel these contracts with 30 days' notice to us and we may cancel these contracts with 30 days' notice.

Nearly all of our revenues are generated within the United States and its territories and substantially all our long-lived assets are located in the United States.

Our Competitors

We face competition from:

- PEOs that compete directly with us,
- HR and information systems departments and personnel of companies that administer employee benefits, payroll and HR for their companies in-house,
- providers of certain endpoint HR services, including payroll, employee benefits, business process outsourcers with high-volume transaction and administrative capabilities, and other third-party administrators, and
- insurance brokers who allow third-party HR systems to integrate with their technology platform.

Our competitors include large PEOs such as the TotalSource unit of Automatic Data Processing, Inc., the PEO operations of Paychex, Inc. and Insperity, Inc., as well as specialized and smaller PEOs and similar HR service providers with PEO operations.

We believe that our services are attractive to many SMBs in part because of our ability to provide access to a broad range of TriNet-sponsored workers' compensation, health insurance and other benefits programs on a cost-effective basis. We compete with insurance brokers and other providers of insurance and benefits coverage, and our offerings must be priced competitively with those provided by these competitors in order for us to attract and retain our clients.

We believe that we also compete based upon the breadth and depth of our benefit plans, vertical market expertise, total cost of service, brand awareness and reputation, ability to innovate and respond to client needs rapidly, access to online and mobile solutions, and subject matter expertise. We believe that we are competitive across these factors. For additional information about our competition, please refer to Part I, Item 1A. Risk Factors, of this Form 10-K, under the heading – "*We must continue to work to improve our services to meet the expectations of our clients and regulators, or we may lose our clients and materially harm our business".*

Our Sales and Marketing Organizations

We sell our solutions primarily through our direct sales organization. We have aligned our sales organization by industry vertical with the goal of growing profitable market share in our targeted industries. This vertical approach deepens our network of relationships and gives us an understanding of the unique HR needs facing SMBs in those industries. Our sales representatives are supported by marketing, lead generation efforts, and referral sources and networks. While the COVID-19 pandemic made it difficult to engage with prospects face-to-face, the use of technology and communication tools created new opportunities for us to engage with customers and prospects virtually.

We typically sponsor and participate in associations and events around the country and utilize these forums to target specific vertical and geographic markets. We responded to the unique challenges posed by the COVID-19 pandemic by shifting to virtual events, such as our 2020 TriNet PeopleForce conference, and by providing informational webinars periodically throughout the year on a wide variety of COVID-19 and business topics relevant to our SMB prospects and clients. We also generate sales opportunities within key industry verticals, through marketing alliances and other indirect channels, such as accounting firms, venture capital firms, incubators, insurance brokers, and vertical market industry associations. Additionally, we utilize digital marketing programs, including digital advertising, search and email marketing, to create awareness and interest in our services.

Our marketing and corporate communications organization is charged with driving overall brand awareness, managing lead generation, creating and managing our website and other online properties, creating content for all marketing and communication channels. Including our outbound and inbound marketing efforts, media relations, and managing our sponsorships, major marketing events, and internal and external communications. In 2020 our marketing team focused on strategic marketing, communications social media, branding initiatives, and crisis communication plans, in part by augmenting our comprehensive company re-branding campaign, Incredible Starts Here, with our marketing campaign, People Matter, that included an omni channel initiatives using social media, digital, television, radio and out-of-home media.

The Laws and Regulations that Affect Our Business

Our business operates in a complex legal and regulatory environment due to a myriad of federal, state and local laws and regulations that impact our business. Below is a summary of what we believe are the most important legal and regulatory issues for our business. For additional information on the impact of these and other laws and regulations on our business and results of operations, refer to Part I, Item 1A. Risk Factors, of this Form 10-K, under the heading - "*Legal and Compliance Risks".*

Employer Status

We sponsor our employee benefit plan offerings as the employer of our WSEs under the Internal Revenue Code of 1986, as amended (the Code), ERISA and applicable state law. The multiple definitions of “employer” under both the Code and ERISA are not clear and most are defined in part by complex multi-factor tests under common law. We believe that we are an “employer” of our WSEs in the U.S. under the Code and the employer of our WSEs in the U.S. for the purposes of ERISA, as well as qualifying as an employer under various state laws, but this status could be subject to challenge by various regulators. For additional information on our employer status and its impact on our business and results of operations, refer to Part I, Item 1A. Risk Factors, of this Form 10-K, under the heading - "*If we are not recognized as an employer of worksite employees under federal and state regulations, we and our clients could be adversely impacted".*

Health Insurance and Health Care Reform

Our sponsored employee health and welfare offerings are an important component of the services that we provide. The future of health care reform continues to evolve in the U.S. For example, the passage of the ACA in 2010 implemented sweeping health care reforms with staggered effective dates from 2010 through 2022, and many provisions in the ACA still require the issuance of additional guidance from the DOL, the IRS, the U.S. Department of Health and Human Services and various U.S. states. Passage of the TCJA in 2017 eliminated the individual mandate tax penalty under the ACA beginning in 2019, while retaining employer ACA obligations. States have developed, and will continue to develop, varying approaches to state-based health exchanges and mandates. Further significant changes to health care statutes, regulations and policy at the federal, state and local levels could occur in 2021 and beyond, including the potential further modification or amendment of the ACA, and we may need to adapt the manner in which we conduct our business as a result of any such changes. For additional information on the ACA and its impact on our business and results of operations, refer to Part I, Item 1A. Risk Factors, of this Form 10-K, under the heading - "*Changing laws and regulations governing health insurance and other traditional employee benefits at the federal, state and local level could negatively affect our business".*

Data Privacy and Security Regulations

We collect, store, use, retain, disclose, transfer and otherwise process a significant amount of confidential, sensitive and personal information from and about our actual and potential clients, WSEs and corporate employees, and we are subject to a variety of federal, state and foreign laws, rules, and regulations in connection with such activities. As a sponsor of employee benefit plans, we also have access to certain protected health information (PHI) of our WSEs and corporate employees. Management of PHI is subject to several regulations at the federal level, including HIPAA and the HITECH Act. HIPAA contains restrictions and health data privacy, security and breach notification requirements with respect to the use and disclosure of PHI. Further, there are penalties and fines for HIPAA violations. Because TriNet sponsored health plans are covered entities under HIPAA, we are required to comply with HIPAA's portability, privacy, and security requirements. We are also subject, among other applicable federal laws, rules and regulations, to the rules and regulations promulgated under the authority of the Federal Trade Commission. The U.S. Congress has considered, but not yet passed, several comprehensive federal data privacy bills over the past few years, such as the CONSENT Act, which was intended to be similar to the landmark 2018 European Union General Data Protection Regulation. We expect federal data privacy laws to continue to evolve.

At the state and local level, there is increased focus on regulating the collection, storage, use, retention, security, disclosure, transfer and other processing of confidential, sensitive and personal information. In recent years, we have seen significant changes to data privacy regulations across the U.S., including the enactment of the California Consumer Privacy Act of 2018 (CCPA), which went into effect in January 2020. The CCPA increases privacy rights for California residents and imposes obligations on companies that process their personal information, including an obligation to provide certain new disclosures to such residents. The CCPA provides for civil penalties for violations, as well as a private right of action for certain data breaches that result in the loss of personal information. This private right of action may increase the likelihood of, and risks associated with, data breach litigation. The CCPA was amended in September 2018 and October 2019, and further amendments may be enacted. In November 2020, California approved the California Privacy Rights Act (CPRA), which creates a new privacy oversight agency and further amends the CCPA to provide additional rights to consumers to access, edit and control the sale and sharing of personal information. The provisions of the CPRA go into effect in January 2023.

New legislation proposed or enacted in Illinois, Massachusetts, New Jersey, New York, Rhode Island, Washington and other states, including a proposed right to privacy amendment to the Vermont Constitution, impose, or has the potential to impose, additional obligations on companies that collect , store, use, retain, disclose, transfer and otherwise process confidential, sensitive and personal information, and will continue to shape the data privacy environment nationally. In addition, all 50 U.S. states, the District of Columbia, Guam, Puerto Rico, the Virgin Islands and Canada have enacted data breach notification laws that may require us to notify WSEs, clients, employees, third parties or regulators in the event of unauthorized access to or disclosure of personal or confidential information. Complying with existing and new data privacy and security regulations could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business. Any failure to comply with existing and new data privacy and security regulations could result in significant penalties, damage our reputation and otherwise have a material adverse effect on our business. For additional information on the privacy and security of the confidential, sensitive and personal information and PHI we possess and the potential impact to our business if we fail to protect such information, refer to each of the risk factors included in Part I, Item 1A. Risk Factors, of this Form 10-K, under the heading - "*Data Privacy and Security Risks"*.

PEO Licensing Laws

Nearly all states have adopted laws and regulations for licensing, registration, certification or recognition of PEOs and the IRS has implemented a voluntary federal certification program for PEOs. We expect states without such laws and regulations to adopt them in the future. While these laws and regulations can vary widely, most regulators monitor the financial health and other relevant business information of PEOs on an annual or quarterly basis. In some cases, these laws and regulations codify and clarify the co-employment relationship for certain payroll, unemployment, workers' compensation and other employment-related purposes or require specific client contractual terms and/or WSE disclosures. We believe we comply in all material respects with the applicable PEO laws and regulations in each state and jurisdiction in which we operate.

Payroll and Unemployment Taxes

We must also comply with the federal and state payroll tax and unemployment tax requirements that apply where our clients are located. Tax reform efforts, and other payroll tax changes, at the federal, state and local level can impact our payroll tax reporting obligations for our clients and the services we can provide. State unemployment tax rates vary by state based, in part, on prior years' compensation and unemployment claims experience and may also vary based on the overall claims experience of a PEO. As a result, depending on where clients are located, the fees we charge for unemployment taxes can be higher or lower than a client could obtain alone. In some cases, the unemployment taxes we pay can also be retroactively increased to cover deficiencies in the unemployment tax funds. We also rely on our clients to accurately report their work locations and inaccurate reporting, due to work from home policies during the COVID-19 pandemic or otherwise, can impact our payroll tax obligations and the obligations of our clients and WSEs.

Other Employment Regulations

We must also comply with labor and employment laws, which can change frequently at the federal, state and local level. In particular, regulatory focus on the classification of employers, employees and independent contractors has the potential to significantly change how we and other PEOs operate and the services that we and other PEOs can provide to our clients and WSEs. For example, in September 2019, California passed AB5, a law that could potentially reclassify client independent contractors as employees. In November 2020, California voters passed Proposition 22, which supersedes AB5 for certain types of contractors. Recently, the DOL issued a new rule to make it easier to classify workers as independent contractors under federal law referenced below. Although the rule is scheduled to go into effect on March 8, 2021, the Biden administration and/or Congress may delay its effective date, change the rule, or quash it in its entirety. In January 2020, the DOL issued a new rule changing the definition of joint employer used under the Fair Labor Standards Act (FLSA) and potentially limiting businesses that are deemed to be joint employers. Since its issuance in 2020, the rule has been struck down by a federal court, and that decision is currently on appeal. We do not believe that we are a joint employer under the new DOL rule, but the impact of new regulations like these could lead to increased legal claims against us or our clients, increase our compliance costs, or require changes to how we operate our business and the services we provide to our clients and WSEs. For additional information, refer to Part I, Item 1A. Risk Factors, of this Form 10-K, under the heading - "*The definition of employers, employees and independent contractors is evolving. Changes to the laws and regulations that govern what it means to be an employer or an employee may require us to make significant changes in our operations and may negatively affect our business".*

Our Human Capital Resources

As of December 31, 2020, we had approximately 331,900 WSEs and 2,700 corporate employees, or colleagues.

Oversight and Management

At TriNet, we rally around a shared vision of improving humanity through business growth and innovation. We recognize the incredible opportunity that can only be realized by working together, with a shared view of how we support our clients and WSEs. This is illustrated in our core values:

- Lead with the customer - We are accessible, responsive and empowered to serve our customers. We are successful when our customers are successful.
- Stand together - We bring together diverse backgrounds, experiences and ideas to create better outcomes. We collaborate across boundaries, communicate openly and respect each other.
- Act with integrity - We are honest, transparent, ethical and fair. We take pride in always doing what's right for our customers and colleagues.
- Make an impact - We act with purpose, are deliberate in our planning and quick in execution. We are accountable to each other and empowered to make decisions.
- Be incredible - We invest in the development of our colleagues. We push the boundaries of what's possible, lead the way and innovate to accomplish the extraordinary.

We regularly conduct surveys to seek feedback from our colleagues on a variety of topics, including confidence in company leadership, competitiveness of our compensation and benefits package, career growth opportunities and opportunities to improve the attractiveness of our company with existing and potential colleagues. The results are shared with our colleagues and reviewed by senior leadership, who analyze areas of progress or deterioration and prioritize actions and activities in response to this feedback to drive meaningful improvements in colleague engagement. Our corporate employees are not covered by a collective bargaining agreement.

Attracting and Retaining Our Colleagues

We must attract, develop and retain highly motivated and qualified colleagues to continue to provide the services that our clients need, to achieve our strategic objectives, and to grow our business. We do this by:

- offering competitive compensation and benefits packages, including comprehensive health benefits and our 401(k) retirement savings plan, with an immediately vested employer match of up to 4% of cash compensation,
- supporting a pay for performance culture through the use of cash and equity incentives tied to the performance of our company and individual performance,
- offering an employee stock purchase plan that allows our colleagues to purchase our shares at a discount to market value, which fosters a stronger sense of ownership and aligns the interests of our colleagues with our stockholders,
- investing in the professional growth of our colleagues with tuition and continuing education reimbursement, wellbeing programs, and comprehensive training and development activities and opportunities both inside and outside of our company,
- creating and maintaining a diverse and inclusive colleague base by, for example, the use of colleague-led resource groups and by launching a new diversity and inclusion training curriculum for our colleagues in 2020, and
- supporting our colleagues during the COVID-19 pandemic by adopting work-from-home policies, halting non-critical travel, and providing additional paid time off, employee assistance plans, and access to telemedicine services.

We refer to our employees that are co-employed with our clients as our worksite employees (WSE). For more information about how we help our clients manage their own human capital resources and satisfy their own HR-related needs, see the section above titled "*Our Services*".

Our Approach to Acquisitions

Historically, we have pursued acquisitions to both expand our service capabilities and supplement our growth across geographies and certain industry verticals. Our acquisition targets have included PEOs and other HR solution providers as well as technology companies or technology product offerings to supplement or enhance our existing HR solutions. We intend to continue to pursue acquisitions, where appropriate, that will enable us to add new clients and WSEs, expand our presence in certain geographies or industry verticals and offer our clients and WSEs more attractive services.

The Impact of Seasonality on Our Business

Our business is affected by seasonality in client business activity and WSE benefit selection, health claims costs and payroll taxes:

- Clients generally change their payroll service providers at the beginning of the payroll tax year; as a result, we have historically experienced our highest volumes of new and terminating clients in the month of January.
- WSEs select our benefit plans during their respective open enrollment periods, which occur throughout the year. We have historically experienced the largest proportion of WSE benefit changes in the first and fourth quarters.

- Health claims costs tend to increase throughout the year as the utilization of medical services above each WSE's deductible causes our insurance costs to increase. In addition, the overall use of medical services by WSEs, including elective procedures, tends to increase later in the calendar year. During the COVID-19 pandemic, we observed significant fluctuations in the typical seasonal use of medical services by our WSEs, particularly in the second quarter of 2020. Utilization approached more typical levels through the second half of 2020. The COVID-19 pandemic may continue to cause variability in our WSE's medical services utilization that may result in changes in this seasonal fluctuation in our business.
- Certain payroll tax related billings are based on the WSE's annual taxable wage base up to a set cap. WSEs frequently meet these wage base caps in the first two quarters of the year, depending on the WSE's compensation level, resulting in lower related billing contributions to PSR in the latter half of the year.

Our Owned and Licensed Intellectual Property

We own or license from third parties various computer software, as well as other intellectual property rights, used in our business. Generally, we protect our intellectual property rights through the use of confidentiality and non-disclosure agreements and policies with our employees and third-party partners and vendors. We also own registered trademarks in the United States, Canada and the European Union covering our name and other trademarks and logos that we believe are materially important to our operations. We generally protect our trademarks through federal registration or through the commercial use of our trademarks. Trademark registrations must generally be renewed every five to ten years and we renew the registration of trademarks that we deem to have continuing value to our business.

Corporate and Other Available Information

We were incorporated in 1988 as TriNet Employer Group, Inc., a California corporation. We reincorporated as TriNet Merger Corporation, a Delaware corporation, in 2000 and during that year changed our name to TriNet Group, Inc. Our principal executive office is located at One Park Place, Suite 600, Dublin, CA 94568 and our telephone number is (510) 352-5000. Our website address is www.trinet.com. Information contained in or accessible through our website is not a part of this report.

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports are available free of charge at investor.trinet.com as soon as reasonably practicable after we file such material with, or furnish it to, the SEC. Alternatively, the public may access these reports at the SEC's website at www.sec.gov. The contents of these websites are not incorporated into this report and are not part of this report.

Item 1A. Risk Factors

Below is a discussion of the risks that we believe are significant to our business. These risks are not the only ones we face. We may face additional risks that we do not currently consider to be significant or of which we are not currently aware, and any of these risks could cause our actual results to differ materially from historical or anticipated results. You should carefully consider these risks along with the other information provided in this Form 10-K, including the information in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our accompanying consolidated financial statements, as well as the information under the heading "*Cautionary Note Regarding Forward-Looking Statements"* before investing in any of our securities. We may amend, supplement or add to the risk factors described below from time to time in future reports filed with the SEC.

Risks Related to the COVID-19 Pandemic

The economic, health and business disruption caused by the COVID-19 pandemic is impacting our business and could result in a material adverse effect on our business, results of operation and financial condition.

The COVID-19 pandemic and the measures being taken at every level of government in reaction to its impact have resulted in an economic slowdown and an unprecedented disruption to our business and the businesses of our small and medium-size business clients. We cannot predict or control all of these disruptions, and any such disruptions may have a material adverse effect on our financial condition and results of operations.

Any of the COVID-19 related risks below could have a material adverse effect on our business, results of operations or financial condition. The extent to which COVID-19 will impact our business remains uncertain and will depend on a variety of factors that are changing on a day-to-day basis and that we may not be able to accurately predict, such as the duration and scope of the pandemic, the disruption of the national and global economy, the duration of the economic downturn, the laws, programs and actions that governments will enact or take, the extent to which our clients' businesses contract or fail, the extent to which new laws intended to help small and medium-size businesses can be supported by the PEO industry, the extent to which our own operations are impacted by office closures, remote work and/or infections, and how quickly and to what extent normal economic and operating conditions can resume. Any of these factors could exacerbate the risks and uncertainties identified below.

Actual and potential impact on clients and prospects

The change in the economic environment has had, and will continue to have, an adverse economic impact on our clients and potential clients. We have seen, and continue to see, affected businesses freeze headcount, furlough and terminate employees, and partially or completely shut down business operations. Impacted businesses have faced and will likely continue to face liquidity issues, reduced budgets, or an inability to pay for our services or the same level of our services. For example, in the second quarter of 2020, our new sales growth declined and we experienced higher WSE attrition than prior periods. The current economic environment has made it difficult for us to achieve service fee increases, and may continue to make it difficult in future periods. Any of these issues have the potential to result in a material adverse effect on our revenues and margins, our financial condition and results of operations, and/or on our ability to attract and retain clients. See the risk factor titled "*Our clients are particularly affected by volatility in the financial and economic environment, which could harm our business*" below for more details.

Stay-at-home, quarantine and other similar orders have been widely issued across the United States during 2020, including in nearly all of the locations where our clients and potential clients are located. We cannot predict the extent or duration of such measures in any given location, or whether new orders will be issued in locations where such orders were previously lifted, and the existence of such orders in locations where our clients and potential clients are located could have a further negative impact on the businesses of our clients and potential clients and result in a material adverse effect on our business, results of operations and financial condition.

Actual and potential impact on insurance costs

The COVID-19 pandemic has changed how and when our WSEs incur health expenses. We have experienced and expect to continue to experience higher than normal volatility and variability in the amounts that we pay for group health insurance expenses incurred by WSEs within our deductible layer under our risk-based health insurance policies.

COVID-19 stay-at-home orders and social distancing practices have caused, and we expect will continue to cause, fluctuations in the use of medical services as some enrollees defer or cancel elective procedures and outpatient medical, dental and vision services. Reduced use of medical services primarily in the second quarter led to decreases in our MCT, defined as changes in participant use of services, including the introduction of new treatment options, changes in treatment guidelines and mandates, and changes in the mix, unit cost and timing of services provided to plan participants. This decrease resulted in higher than normal net insurance revenue during that period.

We cannot predict the rate at which the use of medical services will change in subsequent quarters as announced vaccine rollouts are implemented, social distancing practices change, and as provider networks adapt to providing services during the COVID-19 pandemic. For example, the use of medical services may decrease if enrollees do not feel safe or as regional hotspots change, regardless of government intervention, vaccine availability, or other positive developments in the COVID-19 pandemic.

These changing trends in the volume and severity of medical and pharmaceutical claims, including COVID-19 testing, treatment and vaccination costs make future health claims costs less predictable than previously experienced, and actual claims patterns and cost trends may differ significantly from our historical experience.

As a result, we cannot predict how the COVID-19 pandemic will affect the volume and severity of insurance claims and our MCT. Because we assume the risk of variability in future health claims costs for our enrollees under our risk-based health insurance policies, this unpredictability could result in higher than expected insurance costs, which could have a material adverse effect on our business, results of operations and financial condition.

As we set our insurance service fees for health benefits in advance for a fixed benefit period, if actual MCT exceeds our projections, this would result in lower net insurance revenues, which could have a material adverse effect on our business, results of operations and financial condition. For details on how the volume and severity of insurance claims and MCT impact our insurance costs, see Critical Accounting Judgments and Estimates in Part II, Item 7. MD&A and see the risk factor titled *"Unexpected changes in workers' compensation and health insurance costs and claims by worksite employees could harm our business"* below.

In response to COVID-19, many states have adopted standards intended to extend workers' compensation coverage to claims based on a diagnosis of COVID-19. Most states have focused on providing coverage for first responders and frontline healthcare workers. Some have gone further to include other essential workers. In California, employees are presumed to be covered by workers' compensation if certain diagnosed employee thresholds are met and their COVID-19 diagnosis is made within a specified time. As we are responsible for the deductible layer under our workers' compensation policies, our insurance costs are affected by our WSEs' workers' compensation insurance claims experience. Any law or legal standard that increases the number of covered workers' compensation claims under our insurance policies could have a material adverse effect on our insurance costs and financial condition. See the risk factor titled *"Unexpected changes in workers' compensation and health insurance costs and claims by worksite employees could harm our business"* below for more details.

Actual and potential impact of the laws affecting our industry and clients

New laws and programs have been enacted, and may continue to be enacted, at every level of government to help the economy, employers and employees. For example, the FFCRA and the CARES Act were signed into law in March 2020, creating numerous new programs, including a paycheck protection program (PPP), mandatory employee leave requirements, payroll tax deferral and tax credit programs and other employment- and employment tax-related incentives. The Paycheck Protection Program Flexibility Act (PPPFA) was signed into law in June 2020, modifying and expanding the original PPP program. The appropriations package passed into law in December 2020 further expanded the availability of some of the employee leave and tax credit programs available to SMBs and their employees, as well as the PPP. Many states have also passed laws to address the impact of COVID-19, and many local governments have enacted ordinances for the same reason. New and amended laws may be passed at the federal, state and local level at any time. We are spending, and will continue to spend, significant time and resources to comply with new and amended laws and to provide the benefits created by these laws for our clients and WSEs, where applicable. Most of these laws and programs have not been, and we do not anticipate will be, enacted with the PEO industry in mind. As a result, we cannot guarantee we will be able to support any of these laws and programs in a timely and cost effective manner or at all, which could reduce or eliminate the attractiveness of our services and/or affect the ability of our clients and WSEs to fully realize the benefits of these laws and programs.

Many of these laws are complex and require interpretation from various federal and state agencies to implement. Government agency interpretations, at any level of government, can increase the unpredictability and inconsistent application, interpretation and enforcement of these laws. In addition, since many of these laws do not specifically address the PEO industry and many regulators are unfamiliar with the PEO industry, we have been, and expect in the future to be, particularly impacted by unpredictable and inconsistent application, interpretation and enforcement of these laws. For example, implementation of the PPP and the tax credit programs offered under the FFCRA and CARES Act involves substantial input and interpretation from the SBA, the DOL and the IRS, respectively. We have experienced delays in our support for, and have been required to change our approach to implementing, various COVID-19 programs created by these laws in the past due to guidance from the SBA, DOL, IRS and other government agencies, and we expect to experience future delays and changes. Any government agency interpretation may delay, reduce or eliminate our ability to support any of these COVID-19 assistance programs, which could have a material adverse effect on our business.

See the risk factor titled *"Our business is subject to numerous complex laws, and changes in, uncertainty regarding, or adverse application of these laws could negatively affect our business"* below for more details.

Actual and potential impact on human resources and cyber security

In response to local laws and guidance intended to reduce the spread of COVID-19, in mid-March 2020 we closed our offices across the country and implemented remote working. Remote work increases our risk of experiencing material security-related incidents, such as phishing attacks. There is also an increased risk that our colleagues and WSEs will experience COVID-19 related scams, such as malware and phishing scams. See the risk factor titled "*Cyber-attacks or other security-related incidents could result in reduced revenue, increased costs, liability claims, regulatory penalties, and damage to our reputation"* below for more details. In addition, responding to the COVID-19 pandemic has diverted, and will continue to divert, the time and attention of our management and service teams. Certain of our employees and their immediate families have been, and others will likely become, ill as a result of COVID-19, or will be impacted by COVID-19 protection measures such as school closures, which may affect our service levels. As a result, our ability to provide services in the same way and in the same timeframe that our clients have come to expect may be negatively impacted.

Operational Risks

Our co-employment relationship with our worksite employees exposes us to unique business risks.

We are the co-employer of our WSEs. As the co-employer of our WSEs, we assume some of the risks and obligations of an employer. For instance, we may need to provide access to health benefits to our WSEs even if the cost of providing benefits exceeds the fees received from our clients. The extent of our responsibility for other aspects of our co-employer relationship with our WSEs remains subject to regulatory uncertainty at the federal, state and local levels. For example, under certain circumstances, we may be responsible for paying salaries, wages and related payroll taxes of our WSEs, even if our clients have not timely remitted payments to us.

Our WSEs work in our clients' workplaces. Our ability to control the workplace environment of our clients is limited. Yet, we may be subject to liability for violations of labor and employment laws, workers' compensation laws, industry-specific laws that apply to the businesses our clients operate, and other laws that apply to our clients or to employers generally. We may also be liable for acts, omissions or violations by our clients or WSEs, even if we do not participate in such acts, omissions or violations.

We seek to mitigate these risks through agreements and insurance coverage and by requiring certain clients to pre-fund certain obligations. Our agreements with our clients divide responsibilities between us and our clients and provide that our clients will indemnify us for any liability attributable to their own or our WSEs' conduct. However, we may not be able to effectively enforce or collect on these obligations. In addition, we maintain insurance coverage, including workers' compensation and EPLI coverage, to limit our and our clients' exposure to various WSE-related claims, but subject to split by contract, we are still responsible for any deductible layer under such insurance and such insurance generally excludes coverage for claims relating to the classification of employees as exempt or non-exempt, other wage and hour issues, and employment contract disputes. We cannot assure you that our insurance will be sufficient in amount or scope to cover all claims that may be asserted against us and for which we are unable to obtain indemnification from our clients.

Negative publicity relating to events or activities attributed to us or our corporate employees as a result of the actions of our clients and WSEs, or others associated with them, whether or not justified, may tarnish our reputation and reduce the value of our brand. In addition, if our brand is negatively impacted, it may have a material adverse effect on our business, including creating challenges in retaining clients or attracting new clients and hiring and retaining employees.

In addition, federal and state positions regarding co-employment relationships can change, and have frequently changed in the past, with varying degrees of impact on our operations. We cannot predict when changes will occur or forecast whether any particular future changes will be favorable or unfavorable to our operations. Any such changes could increase our potential liability for the risks outlined above, or otherwise reduce or eliminate the attractiveness of using a PEO, or significantly increase our compliance costs and the cost to provide our services, which could result in a material adverse effect on our financial condition and results of operations.

Unexpected changes in workers' compensation and health insurance costs and claims by worksite employees could harm our business.

Our insurance costs, which comprise a significant portion of our overall costs, are significantly affected by our WSEs' health and workers' compensation insurance claims experience. Our insurance plans are provided by third-party insurance carriers under risk-based or under guaranteed-cost insurance policies. Refer to Note 1 in Part II, Item 8. Financial Statements and Supplementary Data, of this Form 10-K for further discussion of these policies.

Under our risk-based health insurance policies, we assume the risk of variability in future health claims costs for our enrollees. We have experienced variability, and may experience variability in the future, in the amounts that we are required to pay for group health insurance expenses incurred by WSEs within our deductible layer under these risk-based policies, based on changing trends in the volume and severity of medical and pharmaceutical claims. This variability arises from changes to the components of MCT. These trends change, and other seasonal trends and variability may develop, which makes it difficult for us to predict this aspect of our business and which may have a material adverse effect on our business.

Under our fully-insured workers' compensation insurance policies, we assume the risk for losses up to $1 million per claim occurrence (deductible layer). Refer to Note 1 in Part II, Item 8. Financial Statements and Supplementary Data, of this Form 10-K for further discussion of these policies. The ultimate cost of the workers' compensation services provided will not be known until all the claims are settled. If we do not accurately predict the risks that we assume, we may not charge adequate fees to cover our costs, which could reduce our net income and result in a material adverse effect on our business. Our ability to predict these costs is limited by unexpected increases in frequency or severity of claims, which can vary due to changes in the cost of treatments or claim settlements.

We accrue for the estimated future costs of reimbursing our workers' compensation and health insurance carriers under our insurance policies, using external actuaries and our own experience to develop the estimates, but the volume and severity of claims activity is inherently unpredictable. Estimating these accrued costs requires us to consider a number of factors and requires significant judgment.

If we subsequently receive updated information indicating that the volume and severity of insurance claims were higher or lower than previously estimated and reported, our insurance costs could be higher or lower, respectively, in that period or subsequent periods as we adjust our accrued costs accordingly, which could have a material adverse effect on our business. We have experienced both favorable and unfavorable insurance cost variability due to claims activity in the past and could have similar or worse experiences in the future. Refer to Critical Accounting Judgments and Estimates in Part II, Item 7. MD&A, of this Form 10-K for further discussion of these estimates.

Our clients are particularly affected by volatility in the financial and economic environment, which could harm our business.

Our clients are small and medium-size businesses that we believe are particularly susceptible to changes in the level of overall economic activity in the markets in which they operate. These businesses are often exposed to credit and cash liquidity risks that larger businesses may be able to avoid, and during periods of weak economic conditions, small business failures tend to increase and employment levels tend to decrease. During these periods, our clients have in the past and may in the future reduce employee headcount, compensation and/or benefits levels, which could negatively affect our revenues and margins if we are unable to reduce our operating expenses sufficiently or quickly enough.

During periods of weak economic conditions, we have seen in the past and expect to see during such periods in the future, including during the COVID-19 pandemic, increased client attrition and/or fewer new clients, as clients are unwilling or unable to pay for our services, as well as an increase in clients that are unable to pay their obligations on time, and an increase in unemployment and related COBRA claims and employment-related costs from our clients and WSEs, which we may be legally or practically unable to recover based on the fees we charge our clients.

In addition, most of our clients are concentrated in certain geographic regions and operate in a relatively small number of industries, including the technology, life sciences, not-for-profit, professional services and financial services industries. As a result, if any of those geographic regions or specific industries suffers a downturn, even if the economy at the national level remains strong, the portion of our business attributable to clients in that region or industry could be adversely affected, which could have a material adverse effect on our financial condition or results of operations.

Our standard client service agreement can generally be canceled by us or by the client with 30 days' prior written notice. We regularly experience client attrition and decreases in new client sales due to a variety of factors that are difficult for us to control or predict, including the economic factors above, as well as cost pressures, client merger and acquisition activity, reactions to any proposed increases in administrative and insurance service fees by us, client business failure, effects of competition, and client decision to bring their HR administration in-house. If we were to experience client attrition due to the above reasons or otherwise in excess of historic rates, it could have a material adverse effect on our business, financial condition and results of operations.

Any failure in our business systems, or in any third-party business systems or service provider that we rely upon, could reduce the quality of our business services, harm our reputation and expose us to liability.

Our business is highly dependent on in-house and third-party data processing centers and systems that rely on the complex integration of numerous hardware and software subsystems to manage a large volume of daily client and WSE transactions, including the processing of employee, payroll and benefits data. We also rely on third-party systems to provide services for our clients and WSEs, including insurance carrier networks and databases that manage the benefits provided to, and claims made by, our clients and WSEs and electronic banking systems and payroll tax systems that transmit payments and data to clients, WSEs and taxing agencies. These centers and systems have been, and could be disrupted by equipment failures, computer server or systems failures, network outages, malicious acts, software errors or defects, vendor performance problems, power failures, natural disasters, terrorist actions or similar events. We have also experienced office closures on the East Coast on multiple occasions over the past few years due to hurricane threats, and in California due to increased wildfire threats in the state. Our offices and data processing centers in these and other locations will continue to face the risk of closure or damage in the future due to climate change.

Any delay or failure in our business continuity response to these events, or in the response of our third-party service providers, even if only for a short period of time, can have a significant impact on our clients and WSEs. This could cause clients to leave us, result in reduced revenues, increase our liability to our clients and WSEs, any of which could result in a materially adverse effect on our reputation and business. We also rely on enterprise software applications licensed from third parties that are updated from time to time. Any failure of these systems for any reason could delay or prevent us from providing services to our clients, which would have a material adverse effect on our business and results of operations.

Our Recovery Credit program could fail to achieve the business goals for which it was designed, which could result in a material adverse effect on our business, results of operation and/or financial condition.

In April 2020, we created our Recovery Credit program to assist in the economic recovery of our existing SMB clients and enhance our ability to retain these clients. Eligible clients receive one-time reductions against fees for future services, accounted for as a discount, to be received over the following 12 months. The ultimate amount of the Recovery Credit eligible clients will receive is dependent on our future performance and is subject to a limit on the total amount of $145 million. Our Recovery Credit program is designed to promote client loyalty, incentivize client retention, and to differentiate TriNet from its peers in the PEO industry and in other competing HR services industries.

Although we have designed our Recovery Credit to address these objectives, we cannot predict how the program will ultimately be received by our clients and we may not achieve the loyalty, retention and product differentiation impact that we expect. For example, our competitors may create similar programs or offer other competing incentives that resonate more with our clients and prospects, reducing some or all of the expected benefits of our Recovery Credit program.

As a result of the Recovery Credit, we recognized a reduction in total revenues of $128 million in 2020. If our Recovery Credit program fails to generate the business impact for which it was designed, for any reason, our financial performance will be negatively affected, which could result in a material adverse effect on our business, financial condition and results of operations. For more details on our Recovery Credit program, refer to Note 1 in Part II, Item 8. Financial Statements and Supplemental Data, in this Form 10-K.

Adverse changes in our insurance coverage, or in our relationships with key insurance carriers, could harm our business.

Our success depends in part on our ability to maintain competitive health and workers' compensation coverage options and insurance rates through well-known insurance carriers. If we are unable to maintain competitive insurance rates or obtain popular and desirable coverage plans through well-known insurance carriers, it could affect our ability to attract and retain clients, which could have a material adverse effect on our business. Where we sponsor insurance coverage and we are not responsible for any deductibles, our carriers set the fixed cost of the plan, which may lead to uncompetitive fees. Even where we sponsor insurance under which we are responsible for deductibles, we may not be able to control our costs in a way that would make our fees competitive.

In addition, broad adoption of our services in certain geographic regions or industries may make it more difficult for us to obtain competitive health and/or workers' compensation insurance rates due to concentration of clients within a particular region or industry. The loss of any one or more of our key insurance vendors in these areas, or our inability to partner with certain vendors that are better-known or more desirable to our clients or potential clients, could have a material adverse effect on our financial condition and results of operations.

We must continue to work to improve our services to meet the expectations of our clients and regulators, or we may lose our clients and materially harm our business.

In order to attract and retain clients, we believe that we must compete in our industry effectively on the basis of the value proposition that we deliver to our clients, including client experience and satisfaction, relevance and cost-effectiveness of our benefit plans, vertical market expertise, total price of service, brand awareness and reputation, ability to innovate and respond to client needs rapidly, access to online and mobile solutions, and human resources subject matter expertise. The expectations of our clients and prospective clients in these areas change over time as a result of many factors outside of our control, such as competition, regulatory and technical changes, and changing trends in the demands employees place on SMB employers. Regulatory changes may also mandate that we make changes to our services or benefit offerings.

To satisfy client expectations and regulatory requirements, we must timely and effectively identify, develop, or license appropriate technologies, and incorporate them into the solutions that we provide. New services or upgrades may not be released according to schedule, or may contain defects when released. Difficulties with the performance of our new technologies could result in adverse publicity, loss of sales, delay in market acceptance of our services, or client claims against us, any of which could materially harm our business. Even if we are capable of satisfying client expectations in these areas, we may not be able to do so on a cost-effective basis, which could have a material adverse effect on our financial condition and our results of operations. We could lose market share if our competitors develop superior products and services or satisfy client or regulatory demands before we are able to do so. If we are unable to satisfy the evolving product and service expectations and regulatory requirements, then we would experience lower client satisfaction, fewer new clients and higher client attrition, which could have a material adverse effect on our business.

We have acquired, and may in the future acquire, other businesses and technologies, which can divert management's attention and create integration risks and other risks for our business.

We have completed numerous acquisitions of other businesses and technologies, and we expect that we will continue to pursue future acquisitions. Acquisitions involve numerous other risks, some of which we have experienced in the past and which we may experience in the future, including:

- over-valuing and over-paying for businesses and technologies,
- increased operating costs and unanticipated costs to successfully integrate the clients, WSEs, operations, systems, technologies, services and personnel of the acquired business,
- establishing or maintaining required internal controls, procedures and policies for the acquired business,
- diversion of management’s attention from other business concerns,
- litigation resulting from the activities of the acquired business,
- insufficient revenues, insurance or seller indemnification to offset increased expenses associated with the acquisitions and unanticipated liabilities of the acquired businesses,
- entering markets in which we have no prior experience and may not succeed, and
- potential loss of key employees or key clients of the acquired business as a result of the acquisition or integration of the acquired business.

We have experienced increased operating costs to resolve the challenges of prior acquisitions. If we fail to appropriately integrate any acquired business, we may fail to achieve our growth, service enhancement or operational efficiency objectives, and our business, results of operations and financial condition could be harmed.

Our business and operations have undergone and will continue to undergo significant change as we seek to improve our operational effectiveness. If we are unable to effectively manage this change, our business and results of operations may suffer.

We have changed our operations and internal client service processes in recent periods in order to improve our operational effectiveness, and to provide improved client support and services. For example, we recently adopted a new client service engagement model that we believe will benefit our clients and WSEs. Managing these changes will continue to require further refinement to our operational, financial and management controls and reporting systems and procedures while we simultaneously seek to effectively recruit, integrate, train and motivate new corporate employees, retain our existing corporate employees, maintain our corporate culture, effectively execute our business plan, satisfy our existing clients, acquire new clients, and enhance the quality and scope of our services. These activities will also require significant operating and capital expenditures and allocation of valuable management and employee resources, which we expect will continue to place significant demands on our management and on our operational and financial infrastructure. If we fail to manage these changes effectively, our costs and expenses may increase more than we expect and our business, financial condition and results of operations may be harmed.

If we are unable to attract, maintain and manage qualified personnel, including our sales force, our business may be harmed.

To succeed, we must be able to attract and retain highly motivated and qualified personnel. Competition for skilled employees is intense and, if we are unable to attract and retain the personnel we need, our business may suffer. For example, we have experienced elevated sales force attrition in the past and may experience it in the future, for a variety of reasons, including due to changes in industry or client focus, compensation structure, third-party competition for sales talent and other factors. Newly hired sales personnel are typically not productive for some period of time following their hiring, which results in increased near-term costs to us relative to their actual sales contributions during this period. If we are unable to effectively train and maintain an adequately seasoned sales force, our revenues likely will not increase at the rate that we anticipate, which could have a material adverse effect on our business, financial condition and results of operations.

Our industry is competitive, which may limit our ability to maintain or increase our market share or improve our results of operations.

We face significant competition on a national and regional level from other PEOs, as well as other existing, and potential, companies and industries that service, or may in the future service, client HR needs. Refer to the heading "*Competition"* under Part I, Item 1. Business, above for more details. Our competitors, regardless of industry, may have greater marketing and financial resources than we have, and may be better positioned than we are in certain markets. Increased competition in our industry could result in price reductions or loss of market share, any of which could harm our business. We expect that we will continue to experience competitive pricing pressure.

Moreover, we may not be successful in convincing potential clients that the use of our services is a superior, cost-effective means of satisfying their HR obligations relative to the way in which they currently satisfy these obligations either by themselves or by using the services of our competitors. If we cannot compete effectively against other PEOs or against the alternative means by which companies meet their HR obligations, or if we are unable to convince clients or potential clients of the advantages of our offerings, our market share and business may suffer, resulting in a material, adverse effect on our financial condition and results of operations.

Data Privacy and Security Risks

Cyber-attacks or other security-related incidents could result in reduced revenue, increased costs, liability claims, regulatory penalties, and damage to our reputation.

We and our third-party service providers and subcontractors collect, store, use, retain, disclose, transfer and otherwise process a significant amount of confidential, sensitive and personal information from and about our actual and potential clients, WSEs and corporate employees, including bank account and social security numbers, tax information, certain PHI, certain health claim information, retirement account information, and payroll data. Maintaining the security and confidentiality of this information is critically important to our clients, WSEs and corporate employees.

Due to the size and complexity of our technology platform and services, the amount of confidential, sensitive and personal information that we store and the number of clients, WSEs, corporate employees and service providers with access to this information, we and our service providers are potentially vulnerable to a variety of intentional and inadvertent cyber-attacks and other security-related incidents and threats.

Cybersecurity threats can take a variety of forms. Hackers may develop and deploy viruses, worms and other malicious software programs that attack our networks and data centers or those of our service providers. Other malicious actors may direct social engineering, phishing, credential stuffing, ransomware, denial or degradation of service attacks and similar types of attacks against any or all of us, our clients and our service providers. Other threats include inadvertent security breaches or theft, misuse or unauthorized access or other improper actions by our employees, clients, WSEs, service providers and other business partners. Cyber-attacks and other security-related incidents are increasing in frequency and evolving in nature.

Any actual or attempted cyber-attack or other security-related incident and any disclosure of the confidential, sensitive and personal information that we possess, the reporting of such an incident or the public perception or even rumors of such an incident, whether accurate or not, or any failure by us or our service providers to make adequate and timely public and regulatory disclosures for any reason, could have a material adverse effect on our business, reputation, financial condition or results of operation, and also result in material fines, penalties, orders, sanctions and proceedings or actions against us or our service providers by regulatory authorities, clients and other third parties. Any such fines, penalties, order, sanctions, proceedings or actions, and any related indemnification obligation, could also damage our reputation, force us to incur significant expenses in defense of these proceedings or to pay fines and penalties, distract our management, increase our costs of doing business, or result in material financial liability. Any such incident could also result in disruption to our clients' or service providers' systems and services, product development delays or other compliance breaches, which could also have a material adverse effect on our business operations, result in liability, fines and penalties or other regulatory sanctions, a loss of confidence in our ability to provide our services, and/or harm our reputation and relationships with current or potential clients.

We, our clients and our service providers have been the victims of these types of threats, attacks and security breaches in the past, and we, our clients and our service providers expect to be victims again in the future. Cyber-attacks have disrupted, or resulted in unauthorized access to, our networks, applications, bank accounts, and confidential, sensitive and personal information, or those of our clients or WSEs or service providers, in the past and successful attacks may occur again in the future. We, our service providers and our clients have experienced other security incidents in the past that led to disclosure of the confidential, sensitive or personal information we possess and we and they could experience such incidents in the future. As a result of these incidents, we have in the past reported, and expect to report in the future, data breaches to regulators, affected individuals, clients and other third parties. While we do not believe that any such past events resulted in material expenditures or a material loss of confidential, sensitive or personal information, we cannot guarantee that any future events will not have a material impact on our operations.

We expend significant capital and other resources to protect against, respond to, and recover from any potential, attempted, or existing cyber-attacks or other security-related incidents and their consequences. The costs of identifying and remediating any threat, attack, breach, or disclosure, and the costs associated with responding to litigation or regulatory investigations, could also have a material adverse effect on our business and reduce our operating margins. Although we maintain insurance coverage, the amount of our insurance may not cover the costs associated with any security incident, and we cannot be certain that cyber insurance will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim. Moreover, there could be public announcements regarding any security-related incidents and any steps we take to respond to or remediate such incidents, if securities analysts or investors perceive these announcements to be negative, could have a material adverse effect on the price of our common stock.

Our efforts to protect against and to remediate cyber-attacks, other security-related incidents, and data breaches may not succeed and any such event, whether intentional or inadvertent and whether attributable to us or our service providers, could have a material adverse effect on our business, reputation and the price of our common stock.

We have implemented policy, procedural, technical, physical, and administrative controls with the aim of protecting our networks, applications, bank accounts, and the confidential, sensitive and personal information entrusted to us, including bank account and social security numbers, tax information, certain medical information, certain health claim information, retirement account information, payroll data and other PHI, from cyber-attacks and other security-related incidents. While we, and our service providers, have security measures and programs in place to prevent, detect, and respond to cyber-attacks, security-related incidents, data breaches and other similar threats, these security measures and programs and our collective efforts may not always succeed. Despite our efforts and those of our service providers, we cannot fully eliminate the possibility of such cyber-attacks, security-related incidents and other threats, whether intentional or inadvertent and whether internal or external and we, our clients or our service providers may not discover a security incident for a significant period of time after the incident occurs.

In some cases, we perform risk assessments of our service providers or require them to undertake security measures through contract provisions. However, we do not control our service providers and our ability to monitor their data security is limited, so we cannot ensure the security measures they take will be sufficient to protect our confidential, sensitive and personal information. Due to applicable laws and regulations or contractual obligations, we may be held responsible for any cyber-attack or other security-related incident attributed to our service providers regarding the information we share with them and any contractual protections we may have from our service providers may not be sufficient to adequately protect us from any such liabilities and losses.

We have invested, and plan to continue investing, in resources to protect our information security ecosystem against cyber-attacks, other security-related incidents, and data breaches and to investigate and remediate any information security vulnerabilities. However, the security protections and strategies that we implement, and the investigation and remediation efforts we undertake, may not be successful. Any security breach, whether intentional or inadvertent, could result in the access, public disclosure, loss or theft of our clients', WSEs' and corporate employees' confidential, sensitive and personal information, which could negatively affect our ability to attract new clients, cause existing clients to terminate their agreements with us, result in significant reputational damage and subject us to significant lawsuits, regulatory fines, or other actions or liabilities, any of which could materially and adversely affect our business and operating results.

We must comply with constantly evolving, data privacy and security laws and regulations, which may require substantial costs or changes to our business, and any actual or perceived compliance failure could result in reduced revenue, increased costs, liability claims, regulatory penalties, and damage to our reputation.

We are subject to various federal, state and local laws, rules, and regulations, as well as contractual obligations, relating to the collection, storage, use, retention, security, disclosure, transfer and other processing of confidential, sensitive and personal information. Existing laws and regulations are constantly evolving, and new laws and regulations that apply to our business are being introduced at every level of government inside and outside of the United States. For example, all 50 U.S. states, the District of Columbia, Guam, Puerto Rico, the Virgin Islands and Canada have enacted data breach notification laws that may require us to notify WSEs, clients, corporate employees, or other third parties and regulators in the event of unauthorized access to or disclosure of confidential, sensitive or personal information experienced by us or our service providers.

In addition to breach notification laws, we have seen increased focus at every level of government inside and outside of the United States on regulating the collection, storage, use, retention, security, disclosure, transfer and other processing of confidential, sensitive and personal information. For example, in recent years, many states have proposed or enacted new laws or amended existing laws. Certain state laws, including the CCPA and CPRA, may be more stringent or broader in scope, or offer greater individual rights, with respect to confidential, sensitive and personal information than federal, international or other state laws, and such laws may differ from each other, which may complicate compliance efforts, requiring attention to changing regulatory requirements. We believe that we currently comply with the requirements of the CCPA, but additional provisions of the CCPA will become effective in 2021 and 2023. While we are working to comply with these provisions, we cannot guarantee that we will not incur significant costs or that our efforts will be successful. As a sponsor of employee benefit plans with access to certain PHI, we are subject to regulation at the federal level, including under the HIPAA and the HITECH Act. HIPAA contains restrictions and health data privacy, security and breach notification requirements with respect to the use and disclosure of PHI and there are penalties and fines for HIPAA violations.

For details regarding these data privacy and security laws and regulations discussed above and that apply to our operations, refer to Part I, Item 1. Business, of this Form 10-K, under the heading "*The Impact of Law and Regulation on Our Business: Data Privacy and Security Regulations*". Complying with these and any other data privacy and security laws, rules and regulations, and with any new laws or regulations or changes to existing laws, could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business, divert resources from other initiatives and projects, and restrict the way products and services involving data are offered, all of which may have a material adverse effect on our business. For example, we have incurred and expect to continue to incur additional costs to comply with the CCPA and other similar regulations. Despite our efforts, in the future we may be unable to make required changes and modifications to our business practices in a commercially reasonable manner, or at all. Given the rapid development of cybersecurity and data privacy laws, we expect to encounter inconsistent interpretation and enforcement of these laws and regulations, as well as frequent changes to these laws and regulation. As a result, we may be required to incur significant, unexpected compliance costs and we may be exposed to significant penalties or liability for non-compliance, the possibility of fines, lawsuits (including class action privacy litigation), regulatory investigations, criminal or civil sanctions, audits, adverse media coverage, public censure, other claims, significant costs for remediation and damage to our reputation, all of which could have a material adverse effect on our business and operations. Any inability, or the perception of any inability, to adequately address data privacy or security-related concerns, even if unfounded, or to comply with applicable laws, regulations, standards and other obligations relating to data privacy and security, could result in additional cost and liability to us, damage our relationships with clients and have a material adverse effect on our business.

Legal and Compliance Risks

Our business is subject to numerous complex laws, and changes in, uncertainty regarding, or adverse application of these laws could negatively affect our business.

The services we provide to our clients are subject to numerous complex federal, state and local laws and regulations, including those described in Part I, Item 1. Business, of this Form 10-K. These laws and regulations cover a diverse range of topics, including employer, employee and independent contractor classifications, employee benefit, health and retirement plan laws, workers' compensation laws, employment and payroll tax laws, worksite safety laws, insurance and banking laws, wage and hour laws, anti-discrimination laws, and many laws specific to the industries of our clients. Many of these laws do not specifically address PEOs or co-employment relationships, and regulators are often unfamiliar with the PEO industry and co-employment relationships, which can lead to unpredictable application, interpretation and enforcement of these laws and regulations at the federal, state and local levels in relation to our business.

Any new laws, changes in existing laws, or any adverse application, interpretation or enforcement of new or existing laws, including those described in Part I, Item 1. Business, of this Form 10-K, whether they apply to employers generally or specifically to PEOs or to our co-employment relationships could:

- reduce or eliminate the value and benefits that clients realize by using our services,
- change or eliminate the types of services we provide,
- require us to make significant changes to how we do business and provide services,
- affect the extent and type of employee benefits that employers and co-employers can or must provide employees,
- alter the amount, timing and type of taxes employers, co-employers, clients and WSEs are required to pay and that we must manage for and collect from our clients,
- increase the cost and complexity of the licensing requirements for our business operations,
- create or increase our liability and responsibilities to our clients and WSEs, and/or
- mandate new compliance requirements, disclosures or services.

Any of these changes could have a material adverse effect on our financial condition and results of operations.

The laws that apply in our industry and to employers and co-employers have in the past, and could in the future, be changed, replaced or interpreted in a manner adverse to our operations and we are not able to predict the occurrence, direction or ultimate impact of these events. Any such new laws, change in laws or adverse application or interpretation of laws could reduce or eliminate the attractiveness of our services, provide clients with new and attractive alternatives to our services, significantly increase our compliance costs and the cost to provide our services, or require us to make substantial changes to the way in which we operate, any one of which could result in a material adverse effect on our financial condition and results of operations.

Changing laws and regulations governing health insurance and other traditional employee benefits at the federal, state and local level could negatively affect our business.

Changes to and continued uncertainty regarding the implementation and future of health care reform in the United States, at the federal, state and local level, has the potential to substantially change the health insurance market for SMBs and how such employers provide health insurance to their employees, which could have a materially adverse effect on how we provide our sponsored health benefits to our WSEs, and our ability to attract and retain our clients. In addition, changes at the federal, state and local level to the laws and regulations regarding other traditional employee benefits, such as retirement and workers' compensation benefits, also have the potential to substantially change the types of benefit programs that are available to SMBs and that we and other PEOs may be required to offer. Our ability to comply with, and adapt our service offerings to take advantage of, any such changes could require significant additional costs, divert management attention, or be prohibitive based on cost, technology or other factors, which could result in a material adverse effect on our financial condition and results of operations.

If we are not recognized as an employer of worksite employees under federal and state regulations, we and our clients could be adversely impacted.

In order to sponsor our employee benefit plan offerings for WSEs, we must qualify as an employer of WSEs for certain purposes under the Code and ERISA. In addition, our status as the employer for the purposes of ERISA is important for purposes of ERISA's preemption of certain state laws. The definition of employer under various laws is not uniform, and under both the Code and ERISA the term is defined in part by different facts and circumstances tests.

Generally, these tests are designed to evaluate whether an individual is an independent contractor or employee and they provide substantial weight to whether a purported employer has the right to direct and control the details of an individual's work. Some factors that may be considered important under these tests in evaluating these issues have included the employer's degree of behavioral control (for example the extent of instructions, training and evaluation of the work), financial control and the economic aspects of the work relationship, the type of relationship, as evidenced by the specific contract, if any, whether employee benefits are provided, whether the work is indefinite in duration or project-based, and whether it is a regular part of the employer's business. However, a definitive judicial interpretation of "employer" in the context of PEOs has not been established.

We believe that we qualify as the employer of WSEs for the purposes of Sections 3(5) and 3(40) of ERISA and as such that our health and welfare plans are single-employer plans that are entitled to ERISA's preemption of state law. The DOL, however, has issued guidance that certain entities in the HR outsourcing industry do not qualify as common law employers. In addition, the DOL routinely audits employee benefit plan offerings of employers, and these audits can take years to complete. One of our health and welfare plans is currently under audit. As part of that audit, the DOL has indicated that while it agrees that we are an employer for ERISA purposes, the DOL has noted that wherever there is more than one employer of a WSE, then neither employer may qualify as a single employer for ERISA purposes. This DOL interpretation is contrary to our interpretation of the applicable ERISA facts and circumstances test and we understand it is contrary to the position of other national PEOs. We believe that we are the sole employer of our WSEs for the purposes of Sections 3(5) and 3(40) of ERISA, and we continue to engage with the DOL on the matter. While we will vigorously challenge any conclusion that we are not the single employer for the purposes of ERISA, and therefore that our plans are not single-employer plans entitled to ERISA's preemption of applicable state laws, the final outcome of this matter is uncertain. If it were ultimately determined that any health and welfare plan sponsored by a PEO were a multiple-employer plan and subject to potential regulation at a state level, we would likely adjust our business model and the manner in which we provide employee benefits to WSEs. Any such adjustment would require significant investment in time, cost and management attention and would have a material impact on our clients and WSEs, which could have a material adverse effect on our business and results of operations.

Similarly, to qualify for favorable tax treatment under the Code, certain employee benefit plans, such as 401(k) retirement plans and cafeteria plans must be established and maintained by an employer for the exclusive benefit of its employees. All of our 401(k) retirement plans are operated pursuant to guidance provided by the IRS and have received favorable determination letters from the IRS confirming the qualified status of these plans. However, the IRS uses its own complex, multi-factor test to ascertain whether an employment relationship exists between a worker and a purported employer. Although we believe that we qualify as an employer of WSEs under the Code, we cannot assure you that the IRS will not challenge our position or continue to provide favorable determination letters. Moreover, the IRS' 401(k) guidance and qualification requirements are not applicable to the operation of our cafeteria plans.

If we are not recognized as an employer under the Code, we may be required to change the method by which we report and remit payroll taxes to the tax authorities. Such changes could have a material adverse effect on our business and results of operations.

The definition of employers, employees and independent contractors is evolving. Changes to the laws and regulations that govern what it means to be an employer or an employee may require us to make significant changes in our operations and may negatively affect our business.

National views on employers, employees and independent contractors are changing at a rapid rate, as evidenced by recent federal and state rule changes. In September 2019, California passed AB5, a law that could potentially reclassify client independent contractors as employees. In November 2020, California voter passed Proposition 22, which supersedes AB5 for certain types of contractors. Changes like these to the rules in any jurisdiction that define when a worker is an employee or independent contractor can increase or decrease the pool of WSEs that we can co-employ and include in our TriNet sponsored benefit plans, which may negatively impact client demand for the services we provide, require us to modify or change how we operate our business and have a material adverse effect on our business and results of operations.

In January 2020, the DOL issued a new rule broadening the definition of joint employer that has been used under the Fair Labor Standards Act (FLSA) for more than sixty years. Joint employment is not the same as co-employment, and we do not believe that we are a joint employer under the new DOL rule or that this rule change impacts our status as a co-employer. While this rule has been partially vacated by a district court decision, these changes could still potentially result in increased FLSA joint employment claims, which could divert management attention and cause us to incur additional and potentially material costs to defend.

The examples above highlight the impact to our business when regulations regarding the definitions or classification of employers, employees, independent contractors and other groups of workers change. Any such regulatory changes could affect the way in which we provide TriNet-sponsored benefits to our WSEs, the way in which we report and remit payroll taxes to tax authorities, and our legal liability for the actions and inactions of our clients. Any of such regulatory changes could also require us to change the manner in which we operate our business, or provide our services, and could have an adverse effect on our business and results of operations.

If we are deemed to be operating in various non-PEO licensed industries, we and our clients could be adversely impacted.

Most states require PEOs to hold a license and we are licensed as a PEO in all states that require such licenses. If we are not able to satisfy existing or future licensing requirements or other applicable regulations in any state, we may be prohibited from doing business in that state, including having any clients within that state.

In addition, state regulatory authorities generally impose licensing requirements on companies acting as insurance agents or third-party administrators, such as those that handle health or retirement plan funding and claim processing. Other state regulatory authorities impose licensing requirements on companies involved in the transmission of cash, such as banks, and other money transmitters. We do not believe that our current activities require any such licenses, but we and others in our industry have received inquiries from regulatory authorities in the past and could receive them in the future. If regulatory authorities in any state determine that we are acting as an insurance agent, third-party administrator, money transmitter, or as any other regulated industry other than a PEO, we may need to hire additional personnel to manage regulatory compliance and pay annual regulatory fees, which could have a material adverse effect on our financial condition and results of operations.

We are subject to legal and tax proceedings that may result in adverse outcomes.

We are subject to claims, lawsuits, government investigations, and other legal and regulatory proceedings arising from the ordinary course of our business. Refer to Note 10 in Part II, Item 8. Financial Statements and Supplementary Data, of this Form 10-K for additional information about the legal proceedings we are currently involved in and future proceedings that we may face. Current and future legal proceedings may result in substantial costs and may divert management's attention and resources, which may seriously harm our business, results of operations, financial condition and liquidity.

In addition, the tax authorities in the U.S. regularly examine our tax returns. Refer to Note 13 in Part II, Item 8. Financial Statements and Supplementary Data, of this Form 10-K for additional details regarding our on-going tax examinations and disputes. The ultimate outcome of tax examinations and disputes cannot be predicted with certainty. Should the IRS or other tax authorities assess additional taxes as a result of these or other examinations, we may be required to record charges to operations that could have a material impact on our results of operations, financial position or cash flows.

Financial and Stock Ownership Risks

Our results of operations and stock price may fluctuate as a result of numerous factors, many of which are outside of our control.

Our future operating results and stock price are subject to fluctuations and quarterly variations based upon a variety of factors, many of which are not within our control, including, without limitation:

- the volume and severity of health and workers' compensation insurance claims made by our WSEs, recorded as part of our insurance costs, and the timing of related claims information provided by our insurance carriers,
- the amount and timing of our insurance premiums and other insurance costs, operating expenses and capital expenditures,
- the number of our new clients and the number of WSEs employed by each new client,
- the retention or loss of existing clients, for any reason, including third-party acquisition,
- a reduction in the number of WSEs employed by existing clients,
- the timing of client payments and payment defaults by clients,
- the costs associated with our acquisitions of companies, assets and technologies,
- any payments or draw downs on our credit facility,
- any unanticipated expenses, such as litigation or other dispute-related settlement payments and compliance expenses arising from changes in regulations or regulatory enforcement,
- any expenses we incur for geographic and service expansion and service enhancements,
- any changes in laws or adverse interpretation or enforcement of laws, which may require us to change the manner in which we operate and/or increase our regulatory compliance costs,
- any changes in our effective tax rate,
- the issuance of common stock or debt to pay for future acquisitions, which could dilute our stockholders or subject us to significant debt service obligations,
- amortization expense, or the impairment of intangible assets and goodwill, associated with past or future acquisitions, and
- the impact of new accounting pronouncements.

In addition, the trading price of our common stock is subject to fluctuation in response to a variety of factors, including the factors above and below, many of which are not within our control, including, without limitation:

- the overall performance of the equity markets,
- any trading activity, or a market expectation regarding such activity, by our directors, executive officers and significant stockholders,
- the economy as a whole, and its impact on SMBs and our clients,
- the performance and market perception of companies that investors believe are similar to us, and
- any significant changes in the liquidity of our common stock.

Many of the above factors are discussed in more detail elsewhere in this Risk Factors section and in Part II, Item 7. MD&A, of this Form 10-K. Many of these factors are outside our control, and the variability and unpredictability of these factors have in the past and could in the future cause us to fail to meet our expectations and the expectations of investors and any industry analysts who cover our shares, which could result in a decline in our share price and reduced liquidity in our shares. In addition, the occurrence of one or more of these factors might cause our results of operations to vary widely, which could lead to negative impacts on our margins, short-term liquidity, and our ability to retain or attract key personnel, and could cause other unanticipated issues, including a downgrade of our securities by or change in opinion of industry analysts and a related decline in our share price.

The terms of our credit facility may restrict our current and future operations, which would impair our ability to respond to changes in our business and to manage our business.

Our credit facility contains, and any future indebtedness of ours would likely contain, a number of restrictive covenants that impose significant operating and financial restrictions on us subject to customary exceptions, including restricting our ability to:

- incur, assume or prepay debt or incur or assume liens,
- pay dividends or distributions or redeem or repurchase capital stock,
- make loans, investments or acquisitions,
- enter into sale-leaseback transactions,
- enter into new lines of business,
- complete a significant corporate transaction, such as a merger or sale of our company or its assets, and
- enter into agreements that prohibit the incurrence of liens or the payment by our subsidiaries of dividends and distributions.

Our failure to comply with these restrictions and the other terms and conditions under our credit facility could result in a default, which in turn could result in the termination of the lenders' commitments to extend further credit to us under our credit facility and acceleration of a substantial portion of our indebtedness then outstanding under our credit facility. If that were to happen, we may not be able to repay all of the amounts that would become due under our indebtedness or refinance our debt, which could materially harm our business and force us to seek bankruptcy protection.

In July 2017, the head of the United Kingdom Financial Conduct Authority announced plans to phase out the use of LIBOR by the end of 2021. In November 2020, the ICE Benchmark Administration Limited extended the use of certain LIBOR values through June 2023. Our credit facility includes a LIBOR-indexed component and our lenders are not obligated to accept any LIBOR alternative that we may propose. However, we do not believe that the phase out of LIBOR will have a material effect on our operational or borrowing costs under our credit facility or any of our other business arrangements.

Atairos, our largest stockholder, may have significant influence over our Company, and the ownership of capital stock, and thus the voting control, of our Company remains concentrated in our executive officers, directors and their affiliates, which limits your ability to influence corporate matters.

On February 1, 2017, an entity affiliated with Atairos Group, Inc. (together with its affiliates, "Atairos") became our largest stockholder when it acquired the shares of TriNet common stock previously held by General Atlantic. In connection with this transaction, we appointed Michael J. Angelakis, the Chairman and CEO of Atairos, to our board of directors and agreed to nominate Mr. Angelakis or another designee of Atairos reasonably acceptable to our Nominating and Corporate Governance Committee for election at future annual meetings until Atairos' beneficial ownership falls below 15% of our common stock. As of January 31, 2021, Atairos beneficially owned approximately 32% of our outstanding common stock, and all of our directors, executive officers and their affiliates, including Atairos, beneficially own, in the aggregate, approximately 39% of our outstanding common stock. As a result Atairos, particularly when acting with our executive officers, directors and their affiliates, is able to exert substantial influence on all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, such as a merger or other sale of our company or its assets. This concentration of ownership could limit the ability of other stockholders to influence corporate matters and may have the effect of delaying or preventing a third party from acquiring control over us.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We lease space for our offices in various U.S. states, including the following:

Corporate Headquarters:

- Dublin, California

Significant Client Service Centers:

- Bradenton, Florida
- Reno, Nevada
- Indian Land, South Carolina
- Austin, Texas

For more information regarding our leases, refer to Note 8 in Part II, Item 8. Financial Statements and Supplementary Data, of this Form 10-K.

Item 3. Legal Proceedings

For the information required in this section, refer to Note 10 in Part II, Item 8. Financial Statements and Supplementary Data, of this Form 10-K.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information and Holders of Record

Our common stock is traded on the New York Stock Exchange under the symbol "TNET".

As of February 9, 2021, we had 35 holders of record of our common stock per Computershare Trust Company N.A., our transfer agent. The actual number of stockholders is greater than this number of record holders, and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in a trust by other entities.

For information regarding our equity-based incentive plans, please refer to Part III, Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters, of this Form 10-K.

Dividend Policy

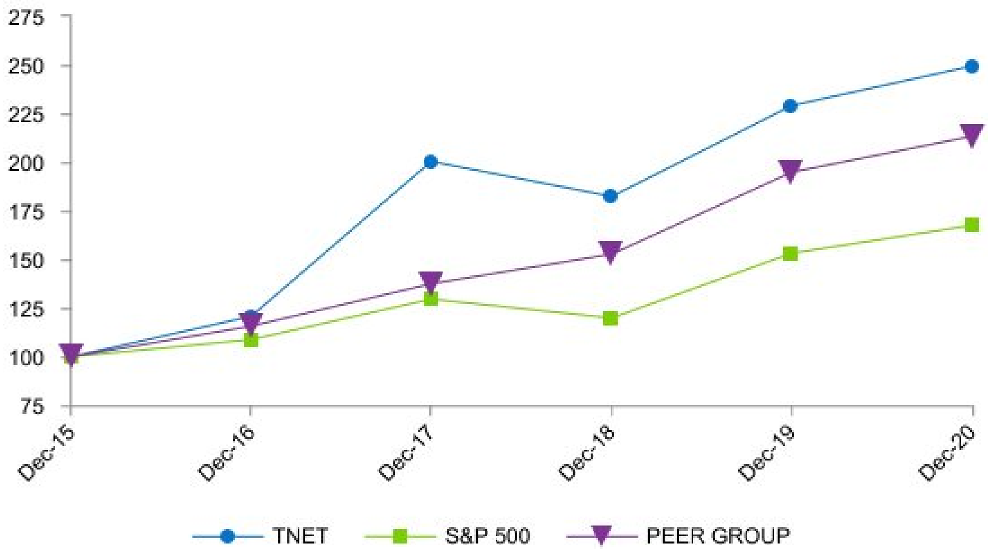
We did not declare or pay cash dividends in 2020 or 2019. Payment of cash dividends, if any, in the future will be at the discretion of our board of directors and will depend on then-existing conditions, including our financial condition, operating results, contractual restrictions under our credit facility (refer to Note 9 in Part II, Item 8. Financial Statements and Supplementary Data, of this Form 10-K), capital requirements, business prospects and other factors our board of directors may deem relevant.

Performance Graph

The graph on the following page compares the cumulative return on our common stock since December 31, 2015 with the cumulative return on the S&P 500 Index and a Peer Group Index. The cumulative return is based on the assumption that $100 had been invested in TriNet Group, Inc. common stock, the Standard & Poor's 500 Stock Index (S&P 500) and common stock of members of a Peer Group Index, all on December 31, 2015 and that all quarterly dividends were reinvested. The cumulative dollar returns shown on the graph represent the value that such investments would have had at each year end.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN

Among TriNet Group, Inc., the S&P 500 Index, and a Peer Group[1]



[1] The Peer Group Index used in the chart above consists of the following companies:

Automatic Data Processing, Inc.	Insperity, Inc.	Paychex, Inc.
Barrett Business Services, Inc.	Intuit, Inc.	

Issuer Purchases of Equity Securities

The following table provides information about our purchases of TriNet common stock during the fourth quarter of 2020:

Period	Total Number of Shares Purchased (1)	Weighted Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans (2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans (in millions) (3)
October 1 - October 31, 2020	402,355	$ 66.69	402,355	$ 374
November 1 - November 30, 2020	270,786	$ 74.09	216,181	$ 358
December 1 - December 31, 2020	49,275	$ 80.87	—	$ 358
Total	722,416		618,536	

(1) In May 2014, our board of directors approved a stock repurchase program pursuant to which we are authorized to repurchase our common stock in privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 under the Securities Exchange Act of 1934. From time to time, our board of directors authorizes increases to our stock repurchase program and approved an aggregate total of $951 million as of December 31, 2020. The total remaining authorization for future stock repurchases under our stock repurchase program was $358 million as of December 31, 2020. The program does not have an expiration date.

(2) Includes shares surrendered by employees to us to satisfy tax withholding obligations that arose upon vesting of restricted stock units granted pursuant to approved plans.

(3) We repurchased a total of approximately $43 million of our outstanding stock during the three months ended December 31, 2020.

We use our stock repurchase program to return value to our stockholders and to offset dilution from the issuance of stock under our equity-based incentive plans and employee purchase plan. As part of our stock repurchase program, we repurchased approximately $178 million of our common stock in 2020 using existing cash and cash equivalents through our Rule 10b5-1 plan. We plan to use current cash and cash generated from ongoing operating activities to fund our stock repurchase program.

Our stock repurchases are subject to certain restrictions under the terms of our credit facility. For more information about our stock repurchases and the restrictions imposed by our credit facility, refer to Note 12 in Part II, Item 8. Financial Statements and Supplementary Data, of this Form 10-K.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Operational Highlights

Our consolidated results for 2020 reflect our continuing efforts to serve our existing clients throughout the COVID-19 pandemic. In response, we took the following actions:

- launched our COVID-19 Preparedness Center, which provides ongoing and timely webinars, information, resources and offerings to clients and other SMBs to help them navigate the rapidly changing and complicated COVID-19 business landscape,
- helped our clients navigate the various small business relief loan programs through informational webinars and PPP loan application support initiatives,
- hosted the first annual TriNet PeopleForce, our virtual client and prospect conference, where we provided insights, thought leadership and recommendations for the challenges they face,
- enacted new programs in response to the FFCRA and CARES Act to enable new employee paid sick leave and expanded family and medical leave, payroll tax deferral and tax credit programs and other employment and non-employment tax-related incentives for our clients,
- facilitated access to alternative health plan options in addition to COBRA, and
- implemented and extended our remote working and office closures around the country for non-essential activities.

During 2020 we:

- continued to grow our revenues, although at a slower rate than we initially expected due to the impact from COVID-19 on both new sales and our clients,
- created our Recovery Credit program to assist our eligible clients, resulting in a reduction in revenue recognized,
- saw our WSEs increasing their participation, or enrollment, in our insurance offerings,
- experienced lower utilization of health services primarily in the second quarter, although utilization approached more typical levels through the second half of the year,
- completed the acquisition of Little Bird HR, Inc., expanding our footprint in our non-profit vertical,
- launched the extension of our People Matter branding campaign - Humanity Campaign, and
- delivered profitable growth as a result of revenue growth and lower insurance costs.

Performance Highlights

These operational achievements drove the financial performance improvements noted below in 2020 when compared to 2019:

$4.0B **Total revenues** 5 % increase	$368M **Operating income** 37 % increase	$1.1B **Net Service Revenue *** 14 % increase
$272M **Net income** 28 % increase	$3.99 **Diluted EPS** 34 % increase	$303M **Adjusted Net income *** 28 % increase

* Non-GAAP measure

Our results for WSEs in 2020 when compared to the prior year were:

323,672	331,908
Average WSE	**Total WSE**
— % no change	(2)% decrease

During 2020, our average WSEs remained flat and total WSEs declined primarily as a result of the impact of COVID-19 on our clients and new sales. We experienced significant client and WSE attrition during the second quarter, driving our total WSEs down to 313,104 at June 30, 2020, before increasing due to a return to hiring by our existing clients in the third and fourth quarters. New sales also contributed to the return to growth, albeit at lower volumes than in previous years. Our total revenues grew by 5% primarily due to the change in our mix of WSEs and rate increases, partially offset by the Recovery Credit recognized. During 2020, we recognized a $128 million reduction in total revenues for the Recovery Credit, allocated proportionally to PSR and ISR. The Recovery Credit is a program designed to assist the economic recovery of our existing SMB clients, by providing one-time reductions against fees for future services.

Our total revenue increased at a higher rate than our insurance costs and OE, resulting in year-over-year increases in our Net Service Revenue, net income, and adjusted net income of 14%, 28% and 28%, respectively.

Results of Operations

The following table summarizes our results of operations for the three years ended December 31, 2020, 2019 and 2018. For details of the critical accounting judgments and estimates that could affect the Results of Operations, see the Critical Accounting Judgments and Estimates section within MD&A.

	Year Ended December 31,			% Change	
(in millions, except operating metrics data)	**2020**	**2019**	**2018**	**2020 vs. 2019**	**2019 vs. 2018**
Income Statement Data:					
Professional service revenues	**$ 544**	$ 530	$ 487	3 %	9 %
Insurance service revenues	**3,490**	3,326	3,016	5	10
Total revenues	**4,034**	3,856	3,503	5	10
Insurance costs	**2,979**	2,927	2,610	2	12
Operating expenses	**687**	661	642	4	3
Total costs and operating expenses	**3,666**	3,588	3,252	2	10
Operating income	**368**	268	251	37	7
Other income (expense):					
Interest expense, bank fees and other	**(21)**	(21)	(22)	—	(5)
Interest income	**10**	23	12	(57)	92
Income before provision for income taxes	**357**	270	241	32	12
Income taxes	**85**	58	49	47	18
Net income	**$ 272**	$ 212	$ 192	28 %	10 %
Non-GAAP measures [1]:					
Net Service Revenues	**$ 1,055**	$ 929	$ 893	14 %	4 %
Net Insurance Service Revenues	**511**	399	406	28	(2)
Net Insurance Margin	**15 %**	12 %	13 %	3	(1)
Adjusted EBITDA	**468**	378	347	24	9
Adjusted Net income	**303**	236	218	28	8
Operating Metrics:					
Average WSEs	**323,672**	324,927	317,104	— %	2 %
Total WSEs	**331,908**	340,017	325,616	(2)	4

(1) Refer to Non-GAAP measures definitions and reconciliations from GAAP measures below.

A discussion regarding our financial condition and results of operations for 2019 compared to 2018 can be found under Part II, Item 7. Management's Discussion and Analysis in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on February 13, 2020.

Non-GAAP Financial Measures

In addition to financial measures presented in accordance with GAAP, we monitor other non-GAAP financial measures that we use to manage our business, to make planning decisions, to allocate resources and to use as performance measures in our executive compensation plan. These key financial measures provide an additional view of our operational performance over the long-term and provide information that we use to maintain and grow our business.

The presentation of these non-GAAP financial measures is used to enhance the understanding of certain aspects of our financial performance. It is not meant to be considered in isolation, superior to, or as a substitute for the directly comparable financial measures prepared in accordance with GAAP.

Non-GAAP Measure	Definition	How We Use The Measure
Net Service Revenues	• Sum of professional service revenues and Net Insurance Service Revenues, or total revenues less insurance costs.	• Provides a comparable basis of revenues on a net basis. Professional service revenues are represented net of client payroll costs whereas insurance service revenues are presented gross of insurance costs for financial reporting purposes. • Acts as the basis to allocate resources to different functions and evaluates the effectiveness of our business strategies by each business function. • Provides a measure, among others, used in the determination of incentive compensation for management.
Net Insurance Service Revenues	• Insurance service revenues less insurance costs.	• Is a component of Net Service Revenues. • Provides a comparable basis of revenues on a net basis. Professional service revenues are represented net of client payroll costs whereas insurance service revenues are presented gross of insurance costs for financial reporting purposes. Promotes an understanding of our insurance services business by evaluating insurance service revenues net of our WSE related costs which are substantially pass-through for the benefit of our WSEs. Under GAAP, insurance service revenues and costs are recorded gross as we have latitude in establishing the price, service and supplier specifications.
Net Insurance Margin	• Net Insurance Margin (NIM) is the ratio of Net Insurance Services Revenues to insurance service revenues.	• Provides a comparable basis of Net Insurance Service Revenues relative to insurance service revenues. Promotes an understanding of our pricing to risk performance.

Adjusted EBITDA	• Net income, excluding the effects of: - income tax provision, - interest expense, - depreciation, - amortization of intangible assets, and - stock based compensation expense.	• Provides period-to-period comparisons on a consistent basis and an understanding as to how our management evaluates the effectiveness of our business strategies by excluding certain non-cash charges such as depreciation and amortization, and stock based compensation recognized based on the estimated fair values. We believe these charges are either not directly resulting from our core operations or not indicative of our ongoing operations. • Enhances comparisons to prior periods and, accordingly, facilitates the development of future projections and earnings growth prospects. • Provides a measure, among others, used in the determination of incentive compensation for management. • We also sometimes refer to Adjusted EBITDA margin, which is the ratio of Adjusted EBITDA to Net Service Revenue.
Adjusted Net Income	• Net income, excluding the effects of: - effective income tax rate (1), - stock based compensation, - amortization of intangible assets, - non-cash interest expense (2), and - the income tax effect (at our effective tax rate (1)) of these pre-tax adjustments.	• Provides information to our stockholders and board of directors to understand how our management evaluates our business, to monitor and evaluate our operating results, and analyze profitability of our ongoing operations and trends on a consistent basis by excluding certain non-cash charges.
Corporate Operating Cash Flows	• Net cash (used in) provided by operating activities, excluding the effects of: - Assets associated with WSEs (accounts receivable, unbilled revenue, prepaid expenses and other current assets) and - Liabilities associated with WSEs (client deposits, accrued wages, payroll tax liabilities and other payroll withholdings, accrued health benefit costs, accrued workers' compensation costs, insurance premiums and other payables, and other current liabilities).	• Provides information that our stockholders and management can use to evaluate our cash flows from operations independent of the current assets and liabilities associated with our WSEs. • Enhances comparisons to prior periods and, accordingly, used as a liquidity measure to manage liquidity between corporate and WSE related activities, and to help determine and plan our cash flow and capital strategies.

(1) We have adjusted our non-GAAP effective tax rate to 25.5%, 25.5%, and 26.0% for 2020, 2019 and 2018, respectively. These non-GAAP effective tax rates exclude the income tax impact from stock based compensation, changes in uncertain tax positions and nonrecurring benefits or expenses from federal legislative changes.

(2) Non-cash interest expense represents amortization and write-off of our debt issuance costs.

Reconciliation of GAAP to Non-GAAP Measures

The table below presents a reconciliation of Total revenues to Net Service Revenues:

	Year Ended December 31,		
(in millions)	2020	2019	2018
Total revenues	**$ 4,034**	$ 3,856	$ 3,503
Less: Insurance costs	**2,979**	2,927	2,610
Net Service Revenues	**$ 1,055**	$ 929	$ 893

The table below presents a reconciliation of Insurance service revenues to Net Insurance Service Revenues:

	Year Ended December 31,		
(in millions)	2020	2019	2018
Insurance service revenues	**$ 3,490**	$ 3,326	$ 3,016
Less: Insurance costs	**2,979**	2,927	2,610
Net Insurance Service Revenues	**$ 511**	$ 399	$ 406
Net Insurance Margin	**15 %**	12 %	13 %

The table below presents a reconciliation of Net income to Adjusted EBITDA:

	Year Ended December 31,		
(in millions)	**2020**	2019	2018
Net income	**$ 272**	$ 212	$ 192
Provision for income taxes	**85**	58	49
Stock based compensation	**43**	41	44
Interest expense and bank fees	**21**	21	22
Depreciation and amortization of intangible assets	**47**	46	40
Adjusted EBITDA	**$ 468**	$ 378	$ 347
Adjusted EBITDA Margin	**44 %**	41 %	39 %

The table below presents a reconciliation of Net income to Adjusted Net Income:

	Year Ended December 31,		
(in millions)	**2020**	2019	2018
Net income	**$ 272**	$ 212	$ 192
Effective income tax rate adjustment	**(6)**	(11)	(13)
Stock based compensation	**43**	41	44
Amortization of intangible assets	**5**	5	5
Non-cash interest expense	**1**	1	4
Income tax impact of pre-tax adjustments	**(12)**	(12)	(14)
Adjusted Net Income	**$ 303**	$ 236	$ 218

The table below presents a reconciliation of net cash (used in) provided by operating activities to Corporate Operating Cash Flows:

	Year Ended December 31,		
(in millions)	**2020**	2019	2018
Net cash (used in) provided by operating activities	**$ 546**	$ 471	$ (104)
Less: Change in WSE related other current assets	**10**	15	(33)
Less: Change in WSE related liabilities	**198**	223	(305)
Net cash (used in) provided by operating activities - WSE	**$ 208**	$ 238	$ (338)
Net cash provided by operating activities - Corporate	**$ 338**	**$ 233**	**$ 234**

Operating Metrics

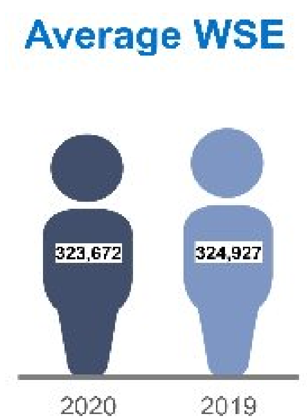
Worksite Employees (WSE)

Average WSE growth is a volume measure we use to monitor the performance of our business. During the second quarter, we experienced significant attrition attributable to the impact of COVID-19. Throughout the second half of 2020, our client base recovered and returned to hiring, primarily in our Technology vertical. Our attrition abated as our clients accessed available business relief measures. This return to hiring paired with new sales, albeit at lower rates than in previous years, resulted in growth in our WSEs from the low of 313,104 total WSEs at June 30, 2020. As a result, average WSEs was flat in 2020.

Total WSEs can be used to estimate our beginning WSEs for the next period and, as a result, can be used as an indicator of our potential future success in growing our business and retaining clients. Despite the challenging economic environment and the impact of COVID-19, Total WSEs declined by only 2% after accounting for favorable retention of clients that value our full service offerings, our clients' return to hiring, and our acquisition of Little Bird.

Anticipated revenues for future periods can diverge from the revenue expectation derived from Average WSEs or Total WSEs due to pricing differences across our HR solutions and services and the degree to which clients and WSEs elect to participate in our solutions during future periods. In addition to focusing on growing our Average WSE and Total WSE counts, we also focus on pricing strategies, benefit participation and service differentiation to expand our revenue opportunities. We report the impact of client and WSE participation differences as a change in mix.

In addition to focusing on retaining and growing our WSE base, we continue to review acquisition opportunities that would add appropriately to our scale. We continue to invest in efforts intended to enhance client experiences, through operational and process improvements and to manage attrition that we believe we will experience as a result of the COVID-19 pandemic.

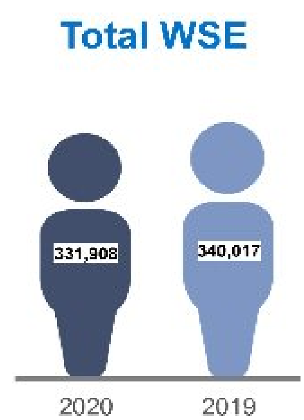


Average WSE represents average monthly WSEs paid during the year

Average WSE change

2020

—%



Total WSE represents WSEs paid at period end

Total WSE change

2020

(2)%

Total Revenues

Our revenues consist of professional service revenues (PSR) and insurance service revenues (ISR). PSR represents fees charged to clients for processing payroll-related transactions on behalf of our clients, access to our HR expertise, employment and benefit law compliance services, and other HR-related services. ISR consists of insurance-related billings and administrative fees collected from clients and withheld from WSEs for workers' compensation insurance and health benefit insurance plans provided by third-party insurance carriers.

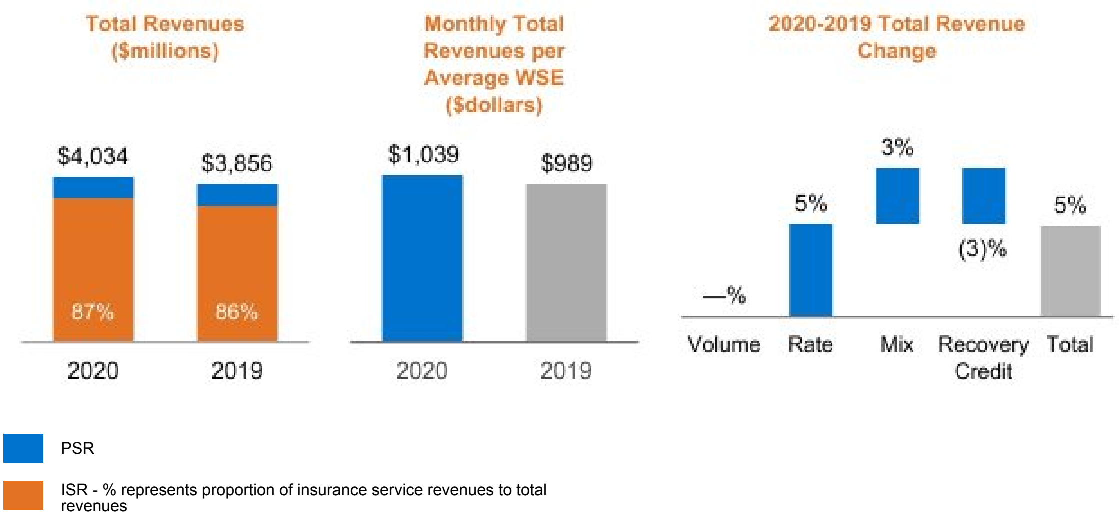
In April 2020, we created our Recovery Credit program to assist in the economic recovery of our existing SMB clients and enhance our ability to retain these clients. Eligible clients will receive one-time reductions against fees for future services, accounted for as a discount, to be received over the following 12 months. We recognized a reduction in total revenues of $128 million in 2020 for the Recovery Credit, allocated proportionally to PSR ($16 million) and ISR ($112 million).

The reduction in revenue is estimated each period based on the timing of when eligible clients will receive the Recovery Credit and the ultimate amount of the total Recovery Credit. The ultimate amount of the Recovery Credit eligible clients will receive is dependent on our future performance and is subject to a limit on the total amount of $145 million. To the extent our future performance is worse than expected, the ultimate amount of the Recovery Credit may decrease. We will continue to recognize a reduction to revenues in 2021 for the remaining Recovery Credit over the period that our clients will earn the right to receive credits.

Monthly total revenues per Average WSE is a measure we use to monitor the success of our pricing strategies. This measure increased 5% during 2020 compared to 2019.

We also use the following measures to further analyze changes in total revenue:

- Volume - the percentage change in period over period Average WSEs,
- Rate - the combined weighted average percentage changes in service fees for each vertical service and changes in service fees associated with each insurance service offering,
- Mix - the change in composition of Average WSEs within our verticals combined with the composition of our enrolled WSEs within our insurance service offerings, and
- Recovery Credit - the weighted average amounts recognized for the Recovery Credit program.



The growth in total revenues, was primarily driven by rate increases and higher health plan enrollment in our insurance service offerings. This was partially offset by the $128 million reduction recognized for our Recovery Credit.

Operating Income

Our operating income consists of total revenues less insurance costs and OE. Our insurance costs include insurance premiums for coverage provided by insurance carriers, reimbursement of claims payments made by insurance carriers or third-party administrators, and changes in accrued costs related to contractual obligations with our workers' compensation and health benefit carriers. Our OE consists primarily of our corporate employees' compensation related expenses, which includes payroll, payroll taxes, SBC, bonuses, commissions and other payroll-and benefits-related costs.

The table below provides a view of the changes in components of operating income on a year-over-year basis.

(in millions)

$268	**2019 Operating Income**
+178	Higher total revenues primarily as a result of increased health plan enrollment in our insurance service offerings, together with rate increases, partially offset by the $128 million reduction recognized for our Recovery Credit.
-52	Higher insurance costs primarily as a result of increased health plan enrollment, offset by lower utilization of medical services.
-26	Higher OE primarily as a result of increased compensation, including incentive compensation and costs to support initiatives to improve client experience, enhance service offerings, and improve processes.
$368	**2020 Operating Income**

Professional Service Revenues

Our clients are billed on a fee per WSE per month per transaction. Our vertical approach provides us the flexibility to offer our clients in different industries with varied services at different prices, which we believe potentially reduces the value of solely using Average WSE and Total WSE counts as indicators of future potential revenue performance.

We also analyze changes in PSR with the following measures:

- Volume - the percentage change in period over period Average WSEs,
- Rate - the weighted average percentage change in fees for each vertical,
- Mix - the change in composition of Average WSEs across our verticals, and
- Recovery Credit - the weighted average amounts recognized for the Recovery Credit program.

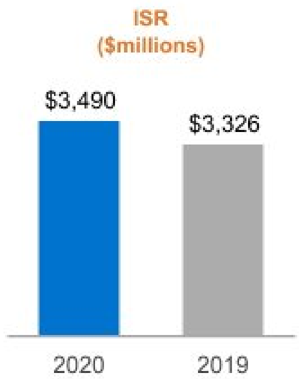
The increase in PSR reflects rate increases and the change in mix of our WSEs, partially offset by the Recovery Credit recognized in 2020.

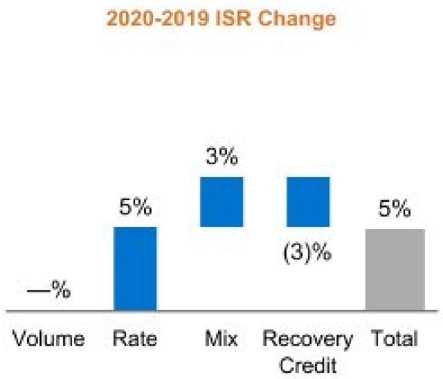
Insurance Service Revenues

ISR consists of insurance services-related billings and administrative fees collected from clients and withheld from WSE payroll for health benefits and workers' compensation insurance provided by third-party insurance carriers.

We use the following measures to analyze changes in ISR:

- Volume - the percentage change in period over period Average WSEs,
- Rate - the weighted average percentage change in fees associated with each of our insurance service offerings,
- Mix - all other changes including the composition of our enrolled WSEs within our insurance service offerings (health plan enrollment), and
- Recovery Credit - the weighted average amounts recognized for the Recovery Credit program.





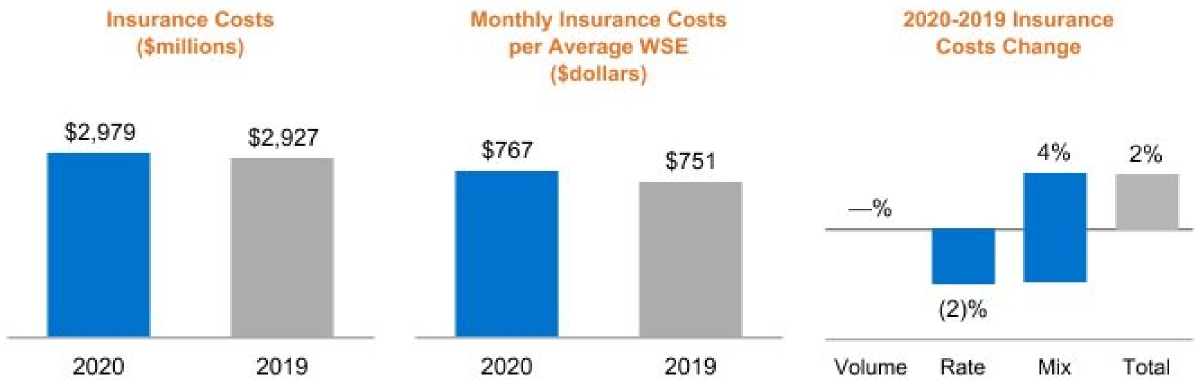
The growth in ISR reflects rate increases and higher health plan enrollment as we retained and added new clients that value our full service offerings. This was partially offset by the Recovery Credit recognized in 2020.

Insurance Costs

Insurance costs include insurance premiums for coverage provided by insurance carriers, payments for claims costs and other risk management services, reimbursement of claims payments made by insurance carriers or third-party administrators below a predefined deductible limit, and changes in accrued costs related to contractual obligations with our workers' compensation and health benefit carriers.

We use the following measures to analyze changes in insurance costs:

- Volume - the percentage change in period over period Average WSEs,
- Rate - the weighted average percentage change in cost trend associated with each of our insurance service offerings, and
- Mix - all other changes including the composition of our enrolled WSEs within our insurance service offerings (health plan enrollment).



During 2020, as a result of the COVID-19 pandemic, we experienced higher than normal volatility and variability in the amounts that we pay for group health insurance expenses incurred by WSEs within our deductible layer under our risk-based health insurance policies.

Stay-at-home orders and social distancing practices decreased the utilization of medical services from mid-March through April as enrollees deferred or cancelled elective procedures and reduced outpatient medical, dental and vision services. Utilization began to approach more typical levels by the end of the second quarter and this trend continued through the second half of the year as enrollees resumed previously deferred or canceled non-essential elective procedures, outpatient medical, dental and vision services and provider networks adapted to providing services during the COVID-19 pandemic. This decrease in utilization of medical services drove the reduction in rate that we experienced on an annual basis. This reduction in utilization was offset by normal cost inflation for medical services and prescription drugs, resulting in a MCT of 7.5% - 9.5% in 2020.

The lower rate was offset by increased mix, primarily from higher health plan enrollments. We continued to experience favorable prior years development on our accrued workers' compensation costs of $20 million during 2020, primarily due to lower than expected claim severity.

Net Service Revenues

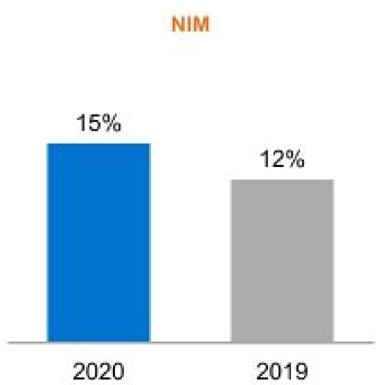
NSR provides us with a comparable basis of revenues on a net basis, acts as the basis to allocate resources to different functions and helps us evaluate the effectiveness of our business strategies by each business function.

PSR

Net insurance service revenues - % represents proportion of Net Insurance Service Revenues to total Net Service Revenues

The primary drivers to the changes in our NSR are presented below.

(1) Change in NISR during 2020 comprised of an increase in ISR of $164 million, offset by an increase in insurance costs of $52 million.



NIM was 15% for 2020 representing an increase of 3% from 2019, due to higher ISR and lower utilization of medical services, as discussed previously.

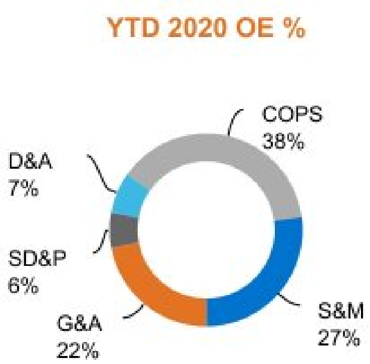
Operating Expenses

OE includes cost of providing services (COPS), sales and marketing (S&M), general and administrative (G&A), systems development and programming (SD&P), and depreciation and amortization expenses (D&A).

We manage our operating expenses and allocate resources across different business functions based on a percentage of NSR, which has decreased to 65% in 2020 from 71% in 2019. The lower percentage of OE to NSR in 2020 when compared to 2019 was primarily driven by the increase in NSR.

We had approximately 2,700 corporate employees as of December 31, 2020 in 22 offices across the U.S. During 2020, we exited our monthly shared office workspaces. Our corporate employees' compensation-related expenses represent a majority of our operating expenses. Compensation costs for our corporate employees include payroll, payroll taxes, SBC, bonuses, commissions and other payroll- and benefits-related costs. Compensation-related expense represented 63% of our OE in 2020 and 2019. We did not incur significant operating expenses in 2020 related to COVID-19 and our transition to remote work arrangements.

In 2020, we experienced OE growth of 4% compared to 2019. The ratio of OE to total revenues was 17% in both 2020 and 2019.



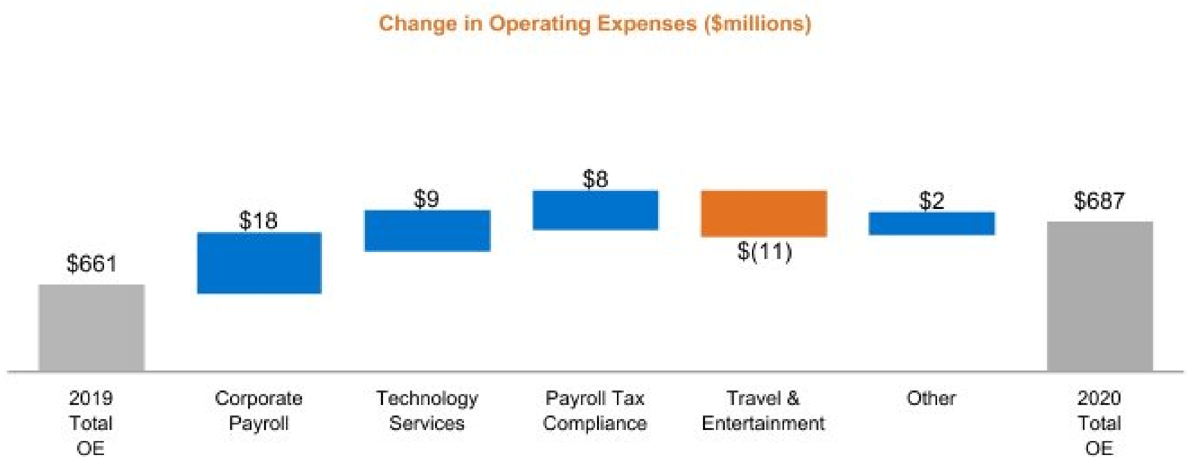
% represents portion of compensation related expense included in operating expenses

We analyze and present our OE based upon the business functions COPS, S&M, G&A and SD&P and D&A. The charts below provide a view of the expenses of the business functions. Dollars are presented in millions and percentages represent year-over-year change.

(in millions)

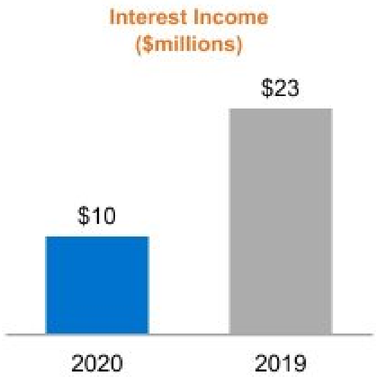
$661	**2019 Operating Expense**
+17	COPS increased, driven primarily by increased compensation, including incentive compensation and costs to support initiatives to improve our client experience, our systems and processes, and to enhance our service offerings and an increase in technology services expenses, partially offset by decreases in consulting and travel and entertainment expenses.
-4	S&M decreased, driven primarily by decreases in expenses related to travel, entertainment, meetings and corporate events due to COVID-19, partially offset by an increase in variable incentive compensation.
+15	G&A increased, driven primarily by increases in payroll tax compliance costs and increases in variable incentive compensation related expenses, partially offset by a decrease in travel and entertainment.
-3	SD&P decreased, driven primarily by a reduction in compensation related expenses, partially offset by an increase in technology services expenses.
+1	D&A remained consistent in 2020.
$687	**2020 Operating Expenses**

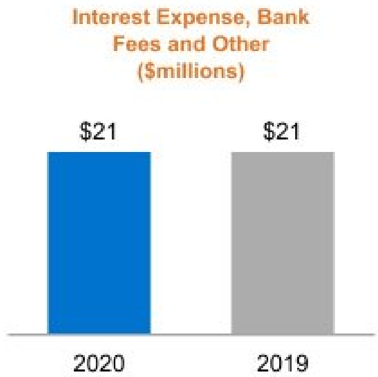
The primary drivers to the changes in our OE are presented below:



Other Income (Expense)

Other income (expense) consists primarily of interest and dividend income from investments and interest expense under our credit facility.





Interest income decreased to $10 million in 2020 primarily due to lower average market interest rates. Interest expense, bank fees and other remained flat in 2020, as lower interest rates on our floating rate debt was offset by additional borrowings under our revolving credit facility.

Provision for Income Taxes

Our effective tax rate (ETR) was 24% and 21% for 2020 and 2019, respectively. The change in ETR was primarily attributable to a decrease in excludable income for state tax purposes, a decrease in tax credits and a benefit recorded in the prior year from changes in valuation allowance.

Liquidity and Capital Resources

Liquidity

Liquidity is a measure of our ability to access sufficient cash flows to meet the short-term and long-term cash requirements of our business operations. We believe that we have sufficient liquidity and capital resources to satisfy future requirements and meet our obligations to our clients, creditors and debt holders.

From time to time, we may seek to raise capital, including by issuing debt securities or borrowing under our term loan, revolver or any future credit facility. We may also seek to refinance, retire or repurchase any such debt obligations. These activities, if any, will be dependent on market conditions, our liquidity and other factors.

Included in our balance sheets are assets and liabilities resulting from transactions directly or indirectly associated with WSEs, including payroll and related taxes and withholdings, our sponsored workers' compensation and health insurance programs, and other benefit programs. Although we are not subject to regulatory restrictions that require us to do so, we distinguish and manage our corporate assets and liabilities separately from those current assets and liabilities held by us to satisfy our employer obligations associated with our WSEs as follows:

	December 31,					
	2020			2019		
(in millions)	Corporate	WSE	Total	Corporate	WSE	Total
Current assets:						
Cash and cash equivalents	**$ 301**	**$ —**	**$ 301**	$ 213	$ —	$ 213
Investments	**57**	**—**	**57**	68	—	68
Restricted cash, cash equivalents and investments	**15**	**1,373**	**1,388**	15	1,165	1,180
Other current assets	**59**	**355**	**414**	45	365	410
Total current assets	**$ 432**	**$ 1,728**	**$ 2,160**	$ 341	$ 1,530	$ 1,871
Total current liabilities	**142**	**1,728**	**$ 1,870**	$ 113	$ 1,530	$ 1,643
Working capital	**$ 290**	**$ —**	**$ 290**	$ 228	$ —	$ 228

To meet various U.S. state licensing requirements and maintain accreditation by the ESAC, we are subject to various minimum working capital and net worth requirements. As of December 31, 2020, we believe we have fully complied in all material respects with all applicable state regulations regarding minimum net worth, working capital and all other financial and legal requirements. Further, we have maintained positive working capital throughout each of the periods covered by the financial statements.

As of December 31, 2020, we did not have any material off-balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources,

Working capital for WSEs related activities

We designate funds to ensure that we have adequate current assets to satisfy our current obligations associated with WSEs and the Recovery Credit liability. We expect the Recovery Credit liability of $92 million as of December 31, 2020 to be settled over the following 12 months. We manage our WSE payroll and benefits obligations through collections of payments from our clients which generally occurs two to three days in advance of client payroll dates. We regularly review our short-term obligations associated with our WSEs (such as payroll and related taxes, insurance premium and claim payments) and designate funds required to fulfill these short-term obligations, which we refer to as PFC. PFC is included in current assets as restricted cash, cash equivalents and investments.

We manage our sponsored benefit and workers' compensation insurance obligations by maintaining collateral funds in restricted cash, cash equivalents and investments. These collateral amounts are generally determined at the beginning of each plan year and we may be required by our insurance carriers to adjust our collateral balances when facts and circumstances change. We regularly review our collateral balances with our insurance carriers and anticipate funding further collateral in the future based upon our capital requirements. We classify our restricted cash, cash equivalents and investments as current and noncurrent assets to match against the anticipated timing of payments to carriers.

The following table summarizes our workers' compensation obligations as of December 31, 2020,

	Payments Due by Period				
(in millions)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Workers' compensation obligations (1)	$ 205	$ 62	$ 62	$ 27	$ 54

(1) Represents estimated payments that are expected to be made to carriers for various workers' compensation programs under the contractual obligations. These obligations include the costs of reimbursing the carriers for paying claims within the deductible layer in accordance with the workers' compensation insurance policy.

Working capital for corporate purposes

Corporate working capital as of December 31, 2020 increased $62 million from December 31, 2019, primarily driven by a $88 million increase in corporate unrestricted cash and cash equivalents, partially offset by increase in our corporate accounts payable and other current liabilities.

We use our available cash and cash equivalents to satisfy our operational and regulatory requirements and to fund capital expenditures. We believe that we can meet our present and reasonably foreseeable operating cash needs and future commitments through existing liquid assets, continuing cash flows from corporate operating activities and the potential issuance of debt or equity securities. We believe our existing corporate cash and cash equivalents and positive working capital will be sufficient to meet our working capital expenditure needs for at least the next twelve months.

The following table summarizes our purchase obligations as of December 31, 2020,

	Payments Due by Period				
(in millions)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Purchase obligations [1]	$ 97	$ 51	$ 44	$ 2	$ —

(1) Our purchase obligations primarily consist of software licenses, consulting and maintenance agreements, and sales and marketing events pertaining to various agreements.

Cash Flows

The following table presents our cash flow activities for the stated periods:

	Year Ended December 31,					
(in millions)	2020			2019		
	Corporate	WSE	Total	Corporate	WSE	Total
Net cash provided by (used in):						
Operating activities	**$ 338**	**$ 208**	**$ 546**	$ 233	$ 238	$ 471
Investing activities	**(69)**	**(82)**	**(151)**	(191)	3	(188)
Financing activities	**(208)**	**—**	**(208)**	(176)	—	(176)
Net increase (decrease) in cash and cash equivalents, unrestricted and restricted	**$ 61**	**$ 126**	**$ 187**	$ (134)	$ 241	$ 107
Cash and cash equivalents, unrestricted and restricted:						
Beginning of period	**$ 291**	**$ 1,165**	**$ 1,456**	$ 425	$ 924	$ 1,349
End of period	**$ 352**	**$ 1,291**	**$ 1,643**	$ 291	$ 1,165	$ 1,456
Net increase (decrease) in cash and cash equivalents:						
Unrestricted	**$ 88**	**$ —**	**$ 88**	$ (15)	$ —	$ (15)
Restricted	**(27)**	**126**	**99**	(119)	241	122

Operating Activities

Components of net cash provided by operating activities are as follows:

	Year Ended December 31,	
(in millions)	2020	2019
Net cash provided by operating activities	**$ 546**	$ 471
Net cash provided by operating activities - Corporate	**$ 338**	$ 233
Net cash provided by operating activities - WSE	**$ 208**	$ 238

Year-over-year change in net cash used in operating activities for WSE purposes was primarily driven by timing of client payments, payments of payroll and payroll taxes, settlement of the Recovery Credit liability, and insurance claim activities. We expect the changes in restricted cash and cash equivalents to correspond to WSE cash provided by (or used in) operations as we manage our obligations associated with WSEs through restricted cash.

Our corporate operating cash flows in 2020 increased when compared to 2019 due to the increase in our net income and the timing of our payment of corporate obligations.

Investing Activities

Cash used in investing activities for the periods presented below primarily consisted of purchases of investments and capital expenditures, partially offset by proceeds from the sale and maturity of investments.

	Year Ended December 31,	
(in millions)	2020	2019
Investments:		
Purchases of investments	**$ (327)**	$ (302)
Proceeds from sale and maturity of investments	**224**	159
Other	**(12)**	—
Cash used in investments	**$ (115)**	$ (143)
Capital expenditures:		
Software and hardware	**$ (33)**	$ (34)
Office furniture, equipment and leasehold improvements	**(3)**	(11)
Cash used in capital expenditures	**$ (36)**	$ (45)
Cash used in investing activities	**$ (151)**	$ (188)

Investments

We invest a portion of available cash in investment-grade securities with effective maturities less than five years that are classified on our balance sheets as investments.

We also invest funds held as collateral to satisfy our long-term obligation towards workers' compensation liabilities. These investments are classified on our balance sheets as restricted cash, cash equivalents and investments. We review the amount and the anticipated holding period of these investments regularly in conjunction with our estimated long-term workers' compensation liabilities and anticipated claims payment trend. At December 31, 2020, our investments had a weighted average duration of less than two years and an average S&P credit rating of AA.

As of December 31, 2020, we held approximately $2.1 billion in restricted and unrestricted cash, cash equivalents and investments, of which $301 million was unrestricted cash and cash equivalents and $195 million was unrestricted investments. Refer to Note 2 in Part II, Item 8. Financial Statements and Supplemental Data, in this Form 10-K for a summary of these funds.

Capital Expenditures

During 2020, we continued to make investments in software and hardware and we enhanced our existing service offerings and technology platform. We expect capital investments in our software and hardware to continue in the future.

Financing Activities

Net cash used in financing activities in the years ended December 31, 2020 and 2019 consisted of our debt and equity-related activities.

	Year Ended December 31,	
(in millions)	2020	2019
Financing activities		
Repurchase of common stock, net of issuance	**$ (186)**	$ (154)
Draw down from revolving credit facility	**234**	—
Repayment of borrowings under revolving credit facility	**(234)**	—
Repayment of borrowings	**(22)**	(22)
Cash used in financing activities	**$ (208)**	$ (176)

In June 2018 we entered into a $425 million term loan A (our 2018 Term Loan) under our credit agreement (2018 Credit Agreement). The proceeds of the 2018 Term Loan were used to repay our previously outstanding term loans. Refer to Note 9 in Part II, Item 8. Financial Statements and Supplemental Data, in this Form 10-K for more details.

In response to economic uncertainties resulting from COVID-19, in March 2020 we drew down $234 million from our revolving credit facility to enhance our short-term cash reserves. The revolving credit facility was repaid in full in December 2020. Refer to Note 9 in Part II, Item 8. Financial Statements and Supplemental Data, in this Form 10-K for more details.

We repurchase shares to return value to our stockholders and to offset dilution from the issuance of stock under our equity-based incentive plans and employee purchase plan. We plan to use current cash and cash generated from ongoing operating activities to fund our stock repurchase program.

Our stock repurchases are subject to certain restrictions under the terms of our credit facility. For more information about our stock repurchases and the restrictions imposed by our credit facility, refer to Note 9 and Note 12 in Part II, Item 8. Financial Statements and Supplemental Data, in this Form 10-K for more details.

Capital Resources

As of December 31, 2020, $370 million was outstanding under our 2018 Term Loan. Our 2018 Credit Agreement includes a $250 million revolving credit facility (our 2018 Revolver), which will be used solely for working capital and other general corporate purposes. The 2018 Revolver includes capacity for a $20 million swingline facility. Letters of credit issued pursuant to the revolving credit facility reduce the amount available for borrowing under the 2018 Revolver. At December 31, 2020, we had $16 million of letters of credit outstanding and remaining capacity of $234 million under the 2018 Revolver.

Each of our 2018 Term Loan and our 2018 Revolver mature in June 2023 and bear interest, at our option, either at a LIBOR rate, or the prime lending rate, plus an applicable margin subject to change in the future based on our leverage ratio, as set forth in our 2018 Credit Agreement.

Our 2018 Credit Agreement contains customary affirmative and restrictive financial covenants and representations and warranties that are customary for facilities of this type, including restrictions on indebtedness, liens, investments, mergers, dispositions, prepayment of indebtedness (other than our 2018 Term Loan and our 2018 Revolver), dividends, distributions and transactions with affiliates, as well as minimum interest coverage and maximum total leverage ratio requirements. We were in compliance with the covenants and restrictions under our 2018 Credit Agreement at December 31, 2020.

Critical Accounting Judgments and Estimates

Our consolidated financial statements are prepared in accordance with GAAP, which require us to make estimates, judgments, and assumptions that affect reported amounts of assets, liabilities, revenues and expenses, and the related disclosures of contingent assets and liabilities. These estimates are based on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Some of the assumptions are highly uncertain at the time of estimation. To the extent actual experience differs from the assumptions used, our consolidated financial statements could be materially affected. For additional information about our accounting policies, refer to Note 1 in Part II, Item 8. Financial Statements and Supplementary Data, of this Form 10-K.

The following items require significant estimation or judgment:

Insurance Costs

We purchase workers' compensation and health benefits coverage for our employees and WSEs. As part of these insurance policies, we bear claims costs up to a defined deductible amount and as a result, we establish accrued insurance costs including both known claims filed and estimates for incurred but not reported claims.

We use external actuaries to evaluate, review and recommend estimates of our accrued workers' compensation and health insurance costs. The accrued costs studies performed by these qualified external actuaries analyze historical claims data to develop a range of our potential ultimate costs using loss development, expected loss ratio and frequency/severity methods in accordance with Actuarial Standards of Practice. These methods are applied to classes of the claims data organized by policy year and risk class.

Key judgments and evaluations in arriving at loss estimates by class and the accrued costs selection overall include:

- the selection of method used and the relative weights given to selecting the method used for each policy year,
- the underlying assumptions of LDF used in these models,
- the effect of any changes to the insurers' claims handling and payment processes,
- evaluation of medical and indemnity cost trends, costs from changes in the risk exposure being evaluated and any applicable changes in legal, regulatory or judicial environment.

We review and evaluate these judgments and the associated recommendations in concluding the adequacy of accrued costs. Our quarterly reserving process involves the collaboration of our qualified external actuaries and our actuarial and finance departments to approve a single point best estimate. In selecting this best estimate, management considers the actuarial estimates and applies informed judgment regarding qualitative factors that may not be fully captured in these actuarial estimates. Such factors include, but are not limited to: the timing of the emergence of claims, volume and complexity of claims, social and judicial trends, and the extent of our historical loss data versus industry information. Where adjustments are necessary these are recorded in the period in which the adjustments are identified.

These accrued costs may vary in subsequent quarters from the amount estimated. Certain assumptions used in estimating these accrued costs are highly judgmental. Our accrued costs, results of operations and financial condition can be materially impacted if actual experience differs from the assumptions used in establishing these accrued costs.

Accrued Workers' Compensation Costs

Under our policies, we are responsible for reimbursing the insurance carriers for workers' compensation losses up to $1 million per claim occurrence (Deductible Layer). As workers' compensation costs for a particular period are not known for many years after the losses have occurred, these costs represent our best estimate of unpaid claim losses and loss adjustment expenses within the deductible layer in accordance with our insurance policies. We use external actuaries to evaluate, review and recommend accrued workers' compensation costs on a quarterly basis. The data is segmented by class and state and analyzed by policy year, and states where we have small exposure are aggregated into a single grouping.

We use a combination of loss development, expected loss ratio and frequency/severity methods which include the following inputs, assumptions and analytical techniques:

- Historical volume and severity of workers' compensation cost experience, exposure data and industry loss experience related to TriNet's insurance policies,
- inputs of WSEs' job responsibilities and location,
- estimates of future cost trends,
- expected loss ratios for the latest accident year or prior accident years, adjusted for the loss trend, the effect of rate changes and other quantifiable factors, and
- LDFs to project the reported losses for each accident year to an ultimate basis.

Final cost settlements may vary materially from the present estimates, particularly when payments do not occur until well into the future. In our experience, plan years related to workers' compensation programs may take 10 years or more to be fully settled.

We believe that our estimate of accrued workers' compensation costs is most sensitive to LDFs given the long reporting and paid development patterns for our workers' compensation loss costs. Our methods of estimating accrued workers' compensation costs rely on these LDFs and an estimate of future cost trend.

The following table illustrates the sensitivity of changes in the LDFs on our year end estimate of insurance costs (in millions of dollars):

Change in loss development factor	Change in insurance costs
-5.0%	($37)
-2.5%	($18)
+2.5%	$18
+5.0%	$36

Accrued Health Insurance Costs

We sponsor and administer a number of employee benefit plans, including group health, dental, vision and life insurance as an employer plan sponsor under section 3(5) of the ERISA. Approximately 83% of our group health insurance costs relate to risk-based plans in which we agree to reimburse our carriers for any claims paid within an agreed-upon per-person deductible layer up to a maximum aggregate exposure limit per policy. These deductible dollar limits and maximum limits vary by carrier and year.

Costs covered by these insurance plans generally develop on average within three to six months so insurance costs and accrued health insurance costs include estimates of reported losses and claims incurred but not yet paid (IBNP). Data is grouped and analyzed by insurance carrier.

To estimate accrued health benefits costs we use a number of inputs, assumptions and analytical techniques:

- historical loss claims payment patterns and medical cost trend rates related to TriNet’s insurance policies,
- current period claims costs and claims reporting patterns (completion factors), and
- plan enrollment.

Medical cost trend rates are a significant factor we use in developing our accrued health insurance costs. Medical cost trends are developed through an analysis of claims incurred in prior months, provider pricing and indicators of health care utilization, including pharmacy utilization trends, and outpatient and inpatient utilization. Many factors may cause medical cost trend to vary from our estimates.

The following table illustrates the sensitivity of changes in the medical cost trend on our year end estimate of insurance costs (in millions of dollars):

Change in medical cost trend	Change in insurance costs
+3.0%	$19
+2.0%	$13
+1.0%	$6
-1.0%	$(6)
-2.0%	$(13)
-3.0%	$(19)

Completion factors are an actuarial estimate based on historical experience and analysis of current trends, of paid costs to carriers as a percentage of the expected ultimate costs to carriers. Many factors may cause actual claims submissions rates from our carriers to vary from our estimated completion factors, including carrier claims processing patterns, the mix of providers and the mix of electronic versus manual claims submitted to our carriers.

The following table illustrates the sensitivity of changes in completion factors on our year end estimate of insurance costs (in millions of dollars):

Change in completion factors	Change in insurance costs
-0.75%	$14
-0.50%	$9
-0.25%	$5
+0.25%	$(5)
+0.50%	$(9)
+0.75%	$(14)

Recent Accounting Pronouncements

Refer to Note 1 in Part II, Item 8, Financial Statements and Supplementary Data, of this Form 10-K for additional information related to recent accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our exposure to changes in interest rates relates primarily to our investment portfolio and outstanding floating rate debt. Changes in U.S. interest rates affect the interest earned on the Company’s cash, cash equivalents and investments and the fair value of the investments, as well as interest costs associated with our debt.

In June 2019, we entered into an interest rate collar derivative transaction with no upfront premium. We use this derivative to hedge against interest rate risk on a portion of our outstanding floating rate debt. We have designated this derivative as a cash flow hedge. Our primary objective in purchasing and holding this derivative is to reduce our volatility of net earnings and cash flows associated with changes in the benchmark interest rate in our interest rate payments. We do not enter into any derivatives for trading or other speculative purposes.

We performed a sensitivity analysis to determine the impact a change in interest rates would have on the cash flows of the collar assuming a 100 basis point parallel shift in the current LIBOR rate. Based on the terms and remaining settlements as of December 31, 2020, a hypothetical 100 basis point increase in one-month LIBOR across all maturities would not result in any cash receipts by the Company while a hypothetical 100 basis point decrease in one-month LIBOR across all maturities would result in cash payments of $4 million.

Our cash equivalents consist primarily of money market mutual funds, which are not significantly exposed to interest rate risk. Our AFS marketable securities are subject to interest rate risk because these securities generally include a fixed interest rate. As a result, the market values of these securities are affected by changes in prevailing interest rates. We attempt to limit our exposure to interest rate risk and credit risk by investing our investment portfolio in instruments that meet the minimum credit quality, liquidity, diversification and other requirements of our investment policy. Our AFS marketable securities consist of liquid, investment-grade securities. The risk of rate changes on investment balances was not significant at December 31, 2020.

At December 31, 2020, we had total outstanding long-term debt of $370 million. A 100 basis point increase in market interest rates would cause interest expense on our debt as of December 31, 2020 to increase by $3 million over the next twelve months of the loan.

Item 8. Financial Statements and Supplementary Data

TRINET GROUP, INC.
Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of TriNet Group, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of TriNet Group, Inc. and subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 16, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Accrued Workers’ Compensation and Health Insurance Costs - Refer to Note 1 and Note 7 to the financial statements

Critical Audit Matter Description

The Company offers its clients and worksite employees (WSEs) workers' compensation insurance and health insurance coverage through insurance policies provided by third-party insurance carriers. The Company is obligated to reimburse the insurance carriers for losses up to defined deductible limits, in accordance with the insurance policies. Accrued workers’ compensation and health insurance costs are established to provide for the estimated unpaid costs of reimbursing the carriers.

The accrued workers' compensation costs include estimates of unpaid claim losses and loss adjustment expenses. The estimates are based on the Company's historical and industry loss experience, exposure data, an estimate of future cost trends, expected loss ratios, and loss development factors. Accrued workers' compensation costs, as of December 31, 2020, were $197 million.

The accrued health insurance costs include estimates for reported losses and estimates for claims incurred but not paid. The estimates are based on the Company's historical claim payment patterns and medical cost trends, current period claim costs and claim reporting patterns, and plan enrollment. Accrued health insurance costs as of December 31, 2020, were $172 million.

Both the accrued workers' compensation and health insurance costs are established using actuarial methods followed in the insurance industry and the Company uses third-party actuaries to develop these estimates.

Given the subjectivity of estimating the value of the accrued workers' compensation and health insurance costs, performing audit procedures to evaluate whether accrued workers' compensation and health insurance costs recorded for the year ended December 31, 2020 required a high degree of auditor judgment and an increased extent of effort, including the need to involve our actuarial specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the accrued workers' compensation and health insurance costs included the following, among others:

- We tested the effectiveness of controls related to accrued workers' compensation and health insurance costs.
- We tested the underlying data that served as inputs into the actuarial analyses, including testing historical claims and enrollment data and recreating the claim loss triangles.
- With the assistance of our actuarial specialists, we evaluated the methods and key assumptions used by management to estimate the accrued workers' compensation and health insurance costs:
    - Compared management's prior-year assumptions of expected development and ultimate loss to actuals incurred during the current year to identify and evaluate potential bias in the determination of the accrued workers' compensation and health insurance costs.
    - Developed an independent range of estimates of the accrued costs, utilizing loss development factors and future cost trends for accrued workers' compensation costs and claim payment patterns and medical trend rates for accrued health insurance costs. We compared our estimated ranges to management's estimates.

/s/ DELOITTE & TOUCHE LLP

San Francisco, California

February 16, 2021

We have served as the Company's auditor since 2016.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of TriNet Group, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of TriNet Group, Inc. and subsidiaries (the "Company") as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2020, of the Company and our report dated February 16, 2021, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

San Francisco, California

February 16, 2021

TRINET GROUP, INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Year Ended December 31,		
(in millions except per share data)	2020	2019	2018
Professional service revenues	**$ 544**	$ 530	$ 487
Insurance service revenues	**3,490**	3,326	3,016
Total revenues	**4,034**	3,856	3,503
Insurance costs	**2,979**	2,927	2,610
Cost of providing services	**262**	245	229
Sales and marketing	**186**	190	182
General and administrative	**152**	137	142
Systems development and programming	**40**	43	49
Depreciation and amortization of intangible assets	**47**	46	40
Total costs and operating expenses	**3,666**	3,588	3,252
Operating income	**368**	268	251
Other income (expense):			
Interest expense, bank fees and other	**(21)**	(21)	(22)
Interest income	**10**	23	12
Income before provision for income taxes	**357**	270	241
Income taxes	**85**	58	49
Net income	**$ 272**	$ 212	$ 192
Other comprehensive income, net of income taxes	**4**	—	—
Comprehensive income	**$ 276**	$ 212	$ 192
Net income per share:			
Basic	**$ 4.03**	$ 3.04	$ 2.72
Diluted	**$ 3.99**	$ 2.99	$ 2.65
Weighted average shares:			
Basic	**67**	70	70
Diluted	**68**	71	72

See accompanying notes.

TRINET GROUP, INC.
CONSOLIDATED BALANCE SHEETS

(in millions, except share and per share data)	December 31, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 301**	$ 213
Investments	**57**	68
Restricted cash, cash equivalents and investments	**1,388**	1,180
Accounts receivable, net	**18**	9
Unbilled revenue, net	**246**	285
Prepaid expenses, net	**63**	52
Other current assets	**87**	64
Total current assets	**2,160**	1,871
Restricted cash, cash equivalents and investments, noncurrent	**210**	212
Investments, noncurrent	**138**	125
Property, equipment and software, net	**79**	85
Operating lease right-of-use asset	**51**	55
Goodwill	**294**	289
Other intangible assets, net	**18**	15
Other assets	**93**	96
Total assets	**$ 3,043**	$ 2,748
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and other current liabilities	**$ 50**	$ 31
Long-term debt	**22**	22
Client deposits and other client liabilities	**134**	44
Accrued wages	**309**	391
Accrued health insurance costs, net	**172**	167
Accrued workers' compensation costs, net	**59**	61
Payroll tax liabilities and other payroll withholdings	**1,095**	901
Operating lease liabilities	**11**	17
Insurance premiums and other payables	**18**	9
Total current liabilities	**1,870**	1,643
Long-term debt, noncurrent	**348**	369
Accrued workers' compensation costs, noncurrent, net	**138**	144
Deferred taxes	**22**	61
Operating lease liabilities, noncurrent	**49**	48
Other non-current liabilities	**9**	8
Total liabilities	**2,436**	2,273
Commitments and contingencies (see Note 10)		
Stockholders' equity:		
Preferred stock	**—**	—
($0.000025 par value per share; 20,000,000 shares authorized; no shares issued or outstanding at December 31, 2020 and 2019)		
Common stock and additional paid-in capital	**747**	694
($0.000025 par value per share; 750,000,000 shares authorized; 66,456,663 and 69,065,491 shares issued and outstanding at December 31, 2020 and 2019, respectively)		
Accumulated deficit	**(144)**	(219)
Accumulated other comprehensive income	**4**	—
Total stockholders' equity	**607**	475
Total liabilities & stockholders' equity	**$ 3,043**	$ 2,748

See accompanying notes.

TRINET GROUP, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in millions)	Year Ended December 31, 2020	2019	2018
Total Stockholders' Equity, beginning balance	**$ 475**	$ 375	$ 206
Common Stock and Additional Paid-In Capital:			
Beginning balance	**694**	641	583
Issuance of common stock from exercise of stock options	**—**	2	7
Issuance of common stock for employee stock purchase plan	**9**	9	7
Stock based compensation expense	**44**	42	44
Ending balance	**747**	694	641
Accumulated Deficit:			
Beginning balance	**(219)**	(266)	(377)
Net income	**272**	212	192
Cumulative effect of accounting change	**(1)**	—	2
Repurchase of common stock	**(178)**	(140)	(61)
Awards effectively repurchased for required employee withholding taxes	**(18)**	(25)	(22)
Ending balance	**(144)**	(219)	(266)
Accumulated Other Comprehensive Income:			
Beginning balance	**—**	—	—
Other comprehensive income	**4**	—	—
Ending balance	**4**	—	—
Total Stockholders' Equity, ending balance	**$ 607**	**$ 475**	**$ 375**

See accompanying notes.

TRINET GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)	Year Ended December 31, 2020	2019	2018
Operating activities			
Net income	**$ 272**	$ 212	192
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**67**	57	46
Stock based compensation	**43**	41	44
Amortization of ROU asset	**14**	16	—
Lease modification and impairment	**1**	—	—
Accretion of discount rate on lease liabilities	**2**	—	—
Amortization of (premium) discount of investments	**1**	(1)	—
Deferred income taxes	**(42)**	(7)	1
Changes in operating assets and liabilities:			
Accounts receivable, net	**(7)**	5	10
Unbilled revenue, net	**39**	19	(14)
Prepaid expenses, net	**(12)**	(5)	(9)
Accounts payable and other current liabilities	**19**	(15)	(8)
Client deposits and other client liabilities	**87**	(12)	4
Accrued wages	**(82)**	40	23
Accrued health insurance costs, net	**5**	32	(16)
Accrued workers' compensation costs, net	**(9)**	(20)	(7)
Payroll taxes payable and other payroll withholdings	**194**	172	(305)
Operating lease liabilities	**(19)**	(17)	—
Other assets	**(38)**	(34)	(64)
Other liabilities	**11**	(12)	(1)
Net cash (used in) provided by operating activities	**546**	471	(104)
Investing activities			
Purchases of marketable securities	**(327)**	(302)	(258)
Proceeds from sale and maturity of marketable securities	**224**	159	101
Acquisitions of property and equipment	**(36)**	(45)	(43)
Other	**(12)**	—	—
Net cash used in investing activities	**(151)**	(188)	(200)
Financing activities			
Repurchase of common stock	**(178)**	(140)	(61)
Proceeds from issuance of common stock	**10**	11	14
Awards effectively repurchased for required employee withholding taxes	**(18)**	(25)	(22)
Proceeds from revolving credit agreement borrowings	**234**	—	—
Proceeds from issuance of notes payable, net	**—**	—	210
Payments for extinguishment of debt	**—**	—	(204)
Repayment of borrowings under revolving credit facility	**(234)**	—	—
Repayment of debt	**(22)**	(22)	(22)
Net cash used in financing activities	**(208)**	(176)	(85)
Net (decrease) increase in cash and cash equivalents, unrestricted and restricted	**187**	107	(389)
Cash and cash equivalents, unrestricted and restricted:			
Beginning of period	**1,456**	1,349	1,738
End of period	**$ 1,643**	$ 1,456	$ 1,349

Supplemental disclosures of cash flow information			
Interest paid	**$ 16**	$ 19	17
Income taxes paid, net	**123**	62	49
Supplemental schedule of noncash investing and financing activities			
Payable for purchase of property and equipment	**$ 2**	$ 2	3

See accompanying notes.

TRINET GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Description of Business

TriNet Group, Inc. (TriNet, or the Company, we, our and us), a professional employer organization, provides comprehensive human resources solutions for small and medium-size businesses under a co-employment model. These HR solutions include multi-state payroll processing and tax administration, employee benefits programs, including health insurance and retirement plans, workers' compensation insurance and claims management, employment and benefit law compliance, and other HR-related services. Through the co-employment relationship, we are the employer of record for certain employment-related administrative and regulatory purposes for the worksite employees (WSEs), including:

- compensation through wages and salaries,
- certain employer payroll-related tax payments,
- employee payroll-related tax withholdings and payments,
- employee benefit programs, including health and life insurance, and others, and
- workers' compensation coverage.

Our clients are responsible for the day-to-day job responsibilities of the WSEs.

We operate in one reportable segment. All of our service revenues are generated from external clients. Less than 1% of our revenue is generated outside of the U.S.

Basis of Presentation

Our consolidated financial statements are prepared in conformity with generally accepted accounting principles in the United States of America (GAAP). All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect certain reported amounts and related disclosures.

These estimates are based on historical experience and on various other assumptions that we believe to be reasonable from the facts available to us. Some of the assumptions are highly uncertain at the time of estimation. To the extent actual experience differs from the assumptions used, our consolidated financial statements could be materially affected.

Revenue Recognition

Revenues are recognized when the promised services are transferred to our clients, in an amount that reflects the consideration that we expect to receive in exchange for services. We generate all of our revenue from contracts with clients. We disaggregate revenues into professional services revenues and insurance services revenues as reported on the consolidated statements of income and comprehensive income. In the majority of our contracts, both the client and the Company may terminate the contract without penalty by providing a 30-day notice.

On January 1, 2018, we adopted Accounting Standards Codification Topic 606 (ASC Topic 606) using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018 and recorded a $2 million cumulative effect adjustment to opening retained earnings.

Performance Obligations

At contract inception, we assess the services promised in our contracts with clients and identify a performance obligation for each distinct promise to transfer to the client a service or bundle of services. We determined that the following distinct services represent separate performance obligations:

- Payroll and payroll tax processing,
- Health benefits services,
- Workers’ compensation services, and
- A right to receive future services at a discount through our Recovery Credit program.

Payroll and payroll tax processing performance obligations include services to process payroll and payroll tax-related transactions on behalf of our clients. Revenues associated with this performance obligation are reported as professional service revenues and recognized using an output method in which the promised services are transferred when a client's payroll is processed by us and WSEs are paid. Professional service revenues are stated net of the gross payroll and payroll tax amounts funded by our clients. Although we assume the responsibilities to process and remit the payroll and payroll related obligations, we do not assume employment-related responsibilities such as determining the amount of the payroll and related payroll obligations. As a result, we are the agent in this arrangement for revenue recognition purposes.

Health benefits and workers' compensation services include performance obligations to provide TriNet-sponsored health benefits and workers' compensation insurance coverage through insurance policies provided by third-party insurance carriers and settle high deductible amounts on those policies. Revenues associated with these performance obligations are reported as insurance services revenues and are recognized using the output method over the period of time that the client and WSEs are covered under TriNet-sponsored insurance policies.

We control the selection of health benefits and workers' compensation coverage made available. As a result, we are the principal in this arrangement for revenue recognition purposes and insurance services revenues are reported gross.

In April 2020, we created our Recovery Credit program to assist in the economic recovery of our existing SMB clients and enhance our ability to retain these clients. Under this one-time program eligible clients will receive reductions against fees for future services, accounted for as a discount, over the following 12 months. This option to renew future services at a discount represents a material right and is accounted for as a new performance obligation (Recovery Credit). This performance obligation will be satisfied when the clients have successfully renewed the services contracts and the future services are transferred.

The consideration we receive that is allocated to this performance obligation is deferred as an unsatisfied performance obligation and is included in client deposits and other client liabilities on the balance sheet. The amount of consideration we defer each period is dependent on the timing of when eligible clients will receive the Recovery Credit and the ultimate amount of the total Recovery Credit. The ultimate amount that clients will receive varies depending on our future performance and is subject to a limit on the total amount of $145 million. In 2020, we distributed $36 million to clients related to this program.

We generally charge new clients a nominal upfront non-refundable fee to recover our costs to set them up on our TriNet platform for payroll processing and other administrative services, such as benefit enrollments. These fees are accounted for as part of our transaction price and are allocated among the performance obligations based on their relative standalone selling prices.

Client Deposits and Other Client Liabilities

Client deposits and other client liabilities represents our contractual commitments and payables to clients, including indemnity guarantee payments received from clients, amounts prefunded by clients for their payroll and related taxes and other withholding liabilities before payroll is processed or due for payment, as well as service fee consideration received for unsatisfied performance obligations of $92 million.

Variable Consideration and Pricing Allocation

Our contracts with clients generally do not include any variable consideration. However, from time to time, we may offer incentive credits to our clients considered to be variable consideration including incentive credits issued related to contract renewals. Incentive credits are recorded as a reduction to revenue as part of the transaction price at contract inception when there is a basis to reasonably estimate the amount of the incentive credit and we reduce the full amount of the credit only to the extent that it is probable that a significant reversal of any incremental revenue will not occur. These incentive credits are allocated among the performance obligations based on their relative standalone selling prices.

We allocate the total transaction price to each performance obligation based on the estimated relative standalone selling prices of the promised services underlying each performance obligation. The transaction price for the payroll and payroll tax processing performance obligations is determined upon establishment of the contract that contains the final terms of the arrangement, including the description and price of each service purchased. The estimated service fee is calculated based on observable inputs and include the following key assumptions: target profit margin, pricing strategies including the mix of services purchased and competitive factors, and client and industry specifics.

The transaction price for health benefits insurance and workers' compensation insurance performance obligations is determined during the new client on-boarding and enrollment processes based on the types of benefits coverage the clients and WSEs have elected and the applicable risk profile of the client. We estimate our service fees based on actuarial forecasts of our expected insurance premiums and loss sensitive premium costs, and amounts to cover our costs to administer these programs.

We require our clients to prefund payroll and related taxes and other withholding liabilities before payroll is processed or due for payment. Under the provision of our contracts with clients, we generally will process the payment of a client’s payroll only when the client successfully funds the amount required. As a result, there is no financing arrangement for the contracts, however, certain contracts to provide payroll and payroll tax processing services permit the client to pay certain payroll tax components ratably over a 12-month period rather than as payroll tax is determined on wages paid, which may be considered a significant financing arrangement under ASC Topic 606. However, as the period between our performing the service under the contract and when the client pays for the service is less than one year, we have elected, as a practical expedient, not to adjust the transaction price.

Unbilled Revenue

We recognize WSE payroll and payroll tax liabilities in the period in which the WSEs perform work. When clients' pay periods cross reporting periods, we accrue the portion of the unpaid WSE payroll where we assume, under state regulations, the obligation for the payment of wages and the corresponding payroll tax liabilities associated with the work performed prior to period-end. These estimated payroll and payroll tax liabilities are recorded in accrued wages. The associated receivables, including estimated revenues, offset by advance collections from clients and an allowance for credit losses, are recorded as unbilled revenue. As of December 31, 2020 and 2019, advance collections included in unbilled revenue were $24 million and $95 million, respectively.

Contract Costs

We recognize as deferred commission expense the incremental cost to obtain a contract with a client for certain components under our commission plans for sales representatives and channel partners that are directly related to new clients onboarded as we expect to recover these costs through future service fees. Such assets are amortized over the estimated average client tenure. These commissions are earned on the basis of the revenue generated from payroll and payroll tax processing performance obligations. When the commission on a renewal contract is not commensurate with the commission on the initial contract, any incremental commission will be capitalized and amortized over the estimated average client tenure. If the commission for both the initial contract and renewal contracts are commensurate, such commissions are expensed in the contract period. The below table summarizes the amounts capitalized and amortized during the years ended December 31, 2020, 2019 and 2018:

	Year Ended December 31,					
	2020		2019		2018	
(in millions)	Capitalized	Amortized	Capitalized	Amortized	Capitalized	Amortized
Deferred commission expense	**$ 29**	**$ 19**	$ 45	$ 10	$ 33	$ 2

Certain commission plans pay a commission on estimated professional service revenues over the first 12 months of the contract with clients. The portion of commission paid in excess of the actual commission earned in that period is recorded as prepaid commission. When the prepaid commission is considered earned, it is classified as a deferred commission expense and subject to amortization. We do not have material contract liabilities as of December 31, 2020 and 2019.

Insurance Costs

Our insurance plans are provided by third-party insurance carriers under risk-based or guaranteed-cost insurance policies. Under risk-based policies, we agree to reimburse our carriers for any claims paid within an agreed-upon per-person deductible layer up to a maximum aggregate exposure limit per policy. These deductible dollar limits and maximum limits vary by carrier and year. Under guaranteed-cost policies, our carriers establish the premiums and we are not responsible for any deductible.

Insurance costs include insurance premiums for coverage provided by insurance carriers, payments for claim costs and other risk management services, reimbursement of claims payments made by insurance carriers or third-party administrators below a predefined deductible limit, and changes in accrued costs related to contractual obligations with our workers' compensation and health benefit carriers.

At policy inception, annual workers' compensation premiums are estimated by the insurance carriers based on projected wages over the duration of the policy period and the risk categories of the WSEs. We initially pay premiums based on these estimates. As actual wages are realized, premium expense recorded may differ from estimated premium expense, creating an asset or liability throughout the policy year. Such asset or liability is reported on our consolidated balance sheets as prepaid expenses or insurance premiums and other payables, respectively.

Accrued Workers' Compensation Costs

We have secured workers' compensation insurance policies with insurance carriers to administer and pay claims for our clients and WSEs. We are responsible for reimbursing the insurance carriers for losses up to $1 million per claim occurrence (deductible layer). Insurance carriers are responsible for administering and paying claims. We are responsible for reimbursing each carrier up to a deductible limit per occurrence. Accrued workers' compensation costs represent our liability to reimburse insurance carriers for our share of their losses and loss adjustment expenses. These accrued costs are established to provide for the estimated ultimate costs of paying claims within the deductible layer in accordance with workers' compensation insurance policies. These accrued costs include estimates for reported and incurred but not reported (IBNR) losses, accrued costs on reported claims, and expenses associated with processing and settling the claims. In establishing these accrued costs, we use an external actuary to provide an estimate of undiscounted future cash payments that would be made to settle the claims based upon:

- historical loss experience, exposure data, and industry loss experience related to TriNet’s insurance policies,
- inputs including WSE job responsibilities and location,
- historical volume and severity of workers' compensation claims,
- an estimate of future cost trends,
- expected loss ratios for the latest accident year or prior accident years, adjusted for the loss trend, the effect of rate changes and other quantifiable factors, and
- loss development factors to project the reported losses for each accident year to an ultimate basis.

We assess the accrued workers' compensation costs on a quarterly basis. For each reporting period, changes in the actuarial methods and assumptions resulting from changes in actual claims experience and other trends are incorporated into the accrued workers' compensation costs. Adjustments to previously established accrued costs estimates are reflected in the results of operations for the period in which the adjustment is identified. Such adjustments could be significant, reflecting any variety of new adverse or favorable trends. Accordingly, final claim settlements may vary materially from the present estimates, particularly when those payments may not occur until well into the future. In our experience, plan years related to workers' compensation programs may take ten years or more to be settled.

We do not discount accrued workers' compensation costs. Costs expected to be paid within one year are recorded as accrued workers' compensation costs. Costs expected to be paid beyond one year are included in accrued workers' compensation costs, less current portion.

We have collateral agreements with various insurance carriers where either we retain custody of funds in trust accounts which we record as restricted cash and cash equivalents, or remit funds to carriers. Collateral whether held by us, or the carriers, is used to settle our insurance and claim deductible obligations to them. Collateral requirements are established at the policy year and are re-assessed by each carrier annually. Based on the results of each assessment, additional collateral may be required for or paid to the carrier or collateral funds may be released or returned to the Company. In instances where we pay collateral to carriers and the agreement permits net settlement of obligations against collateral held, we record our accrued costs net of that collateral (Carrier Collateral Offset). We offset Carrier Collateral Offset against our obligation due within the next 12 months before applying against long-term obligations. Collateral balances in excess of accrued costs are recorded in other assets.

Accrued Health Insurance Costs

We sponsor and administer a number of employee benefit plans, including group health, dental, and vision as an employer plan sponsor under section 3(5) of the ERISA. In 2020, a majority of our group health insurance costs related to risk-based plans. Our remaining group health insurance costs were for guaranteed-cost policies.

Accrued health insurance costs are established to provide for the estimated unpaid costs of reimbursing the carriers for paying claims within the deductible layer in accordance with risk-based health insurance policies. These accrued costs include estimates for reported losses, plus estimates for claims incurred but not paid. We assess accrued health insurance costs regularly based upon external actuarial studies that include other relevant factors such as current and historical claims payment patterns, plan enrollment and medical trend rates.

In certain carrier contracts we are required to prepay the expected claims activity for subsequent periods. These prepaid balances by agreement permit net settlement of obligations and offset the accrued health insurance costs. As of December 31, 2020 and 2019, prepayments and miscellaneous receivables offsetting accrued health insurance costs were $49 million and $39 million, respectively. When the prepaid amount is in excess of our recorded liability the net asset position is included in prepaid expenses. As of December 31, 2020 and 2019, accrued health insurance costs offsetting prepaid expenses were $58 million and $52 million, respectively.

Leases

We adopted ASU 2016-02 - Leases (ASC 842) effective January 1, 2019 using the optional transition method, under which we recognized the cumulative effects of initially applying the standard as an adjustment to the opening balance of retained earnings on January 1, 2019 with unchanged comparative periods. As part of this adoption, we elected the following practical expedients:

- not to reassess 1) whether any contracts that existed prior to adoption have or contain leases, 2) the classification of our existing leases or 3) initial direct costs for existing leases,
- to use the practical expedient of using hindsight to determine the lease terms and evaluate any impairments in right-of-use assets upon transition, and
- not separately record non-lease and lease components for all leases in which we act as a lessee.

We determine if a new contractual arrangement is a lease at contract inception. If a contract contains a lease, we evaluate whether it should be classified as an operating or a finance lease. If applicable as a lease, we record our lease liabilities and right-of-use (ROU) assets based on the future minimum lease payments over the lease term and only include options to renew a lease in the future minimum lease payments if it is reasonably certain that we will exercise that option. For certain leases with original terms of twelve months or less we recognize the lease expense as incurred and we do not recognize lease liabilities and ROU assets.

We measure our lease liabilities based on the future minimum lease payments discounted over the lease term. We determine our discount rate at lease inception using our incremental borrowing rate, which is based on our outstanding term debts that are collateralized by certain corporate assets. As of December 31, 2020, the weighted-average rate used in discounting the lease liability was 4.0%.

We measure our ROU assets based on the associated lease liabilities adjusted for any lease incentives such as tenant improvement allowances and classify operating ROU assets in other assets in our consolidated balance sheet. For operating leases, we recognize expense for lease payments on a straight-line basis over the lease term.

Cash and Cash Equivalents

Cash and cash equivalents include bank deposits and short-term, highly liquid investments. Investments with original maturity dates of three months or less are considered cash equivalents.

Restricted Cash, Cash Equivalents and Investments

Restricted cash, cash equivalents and investments presented on our consolidated balance sheets include:

- cash and cash equivalents in trust accounts functioning as security deposits for our insurance carriers,
- payroll funds collected representing cash collected in advance from clients which we designate as restricted for the purpose of funding WSE payroll and payroll taxes and other payroll related liabilities, and
- amounts held in trust for current and future premium and claim obligations with our insurance carriers, which amounts are held in trust according to the terms of the relevant insurance policies and by the local insurance regulations of the jurisdictions in which the policies are in force.

Investments

Our investments are primarily classified as available-for-sale and are carried at estimated fair value.

Unrealized gains and losses are reported as a component of accumulated other comprehensive income, net of deferred income taxes. The amortized cost of debt investments is adjusted for amortization of premiums and accretion of discounts from the date of purchase to the earliest call date for premiums or the maturity date for discounts. Such amortization is included in interest income as an addition to or deduction from the coupon interest earned on the investments. We use the specific identification method to determine realized gains and losses on the sale of available-for-sale securities. Realized gains and losses are included in interest income in the accompanying consolidated statements of income and comprehensive income.

We assess our investments for credit impairment. We review several factors to determine whether an unrealized loss is credit related, such as financial condition and future prospects of the issuer. To the extent that a security's amortized cost basis exceeds the present value of the cash flows expected to be collected from the security, an allowance for credit losses will be recognized. If management intends to sell or will more likely than not be required to sell the security before any anticipated recovery, a write down will be recognized in earnings measured as the entire difference between the amortized cost and the then-current fair value.

We have investments within our unrestricted and our restricted accounts. Unrestricted investments are recorded on the balance sheet as current or noncurrent based upon the remaining time to maturity, and investments subject to restrictions are classified as current or noncurrent based on the expected payout of the related liability.

Derivative Instruments

In June 2019, we entered into an interest rate collar derivative transaction with no upfront premium to mitigate the risk of changes in interest rates on our floating rate debt. This derivative, for which we have elected and qualify for cash flow hedge accounting, is recorded on the balance sheet at its fair value. Changes in the derivative’s fair value are recorded each period in other comprehensive income until the underlying monthly interest payment and the corresponding portion of the derivative are settled, at which point changes in fair value are recorded in net income. We evaluate this derivative each quarter to determine that it remains effective by comparing the remaining expected cash flows of the derivative against the related expected interest payments of our floating rate debt. We do not enter into any derivatives for trading or other speculative purposes.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes those gains and losses included in comprehensive income, but excluded from net income, in accordance with GAAP. Other comprehensive income is comprised of immaterial net unrealized gains arising on available-for-sale investments, net of unrealized losses on derivatives designated as cash flow hedges and net of deferred taxes.

Fair Value of Financial Instruments

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability.

Our financial assets recorded at fair value on a recurring basis are comprised of cash equivalents, available-for-sale marketable securities and certificates of deposits. We measure certain financial assets at fair value for disclosure purposes, as well as on a nonrecurring basis when they are deemed to be other-than-temporarily impaired. Our other current financial assets and liabilities have fair values that approximate their carrying value due to their short-term nature.

Assets and liabilities recorded at fair value are measured and classified in accordance with a three-tier fair value hierarchy based on the observability of the inputs available in the market to measure fair value, summarized as follows:

- Level 1—observable inputs for identical assets or liabilities, such as quoted prices in active markets,
- Level 2—inputs other than the quoted prices in active markets that are observable either directly or indirectly,
- Level 3—unobservable inputs in which there is little or no market data, which requires that we develop our own assumptions.

The fair value hierarchy requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. We classify our cash equivalents, investments and long-term debt in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement in its entirety.

Accounts Receivable

Our accounts receivable represents outstanding gross billings to clients, net of an allowance for estimated credit losses. We require our clients to prefund payroll and related liabilities before payroll is processed or due for payment. If a client fails to fund payroll or misses the funding cut-off, at our sole discretion, we may pay the payroll and the resulting amounts due to us are recognized as accounts receivable. When client payment is received in advance of our performance under the contract, such amount is recorded as client deposits. We establish an allowance for credit losses based on the credit quality of clients, current economic conditions, the age of the accounts receivable balances, historical experience, and other factors that may affect clients' ability to pay, and charge-off amounts against the allowance when they are deemed uncollectible. The allowance was immaterial at December 31, 2020 and 2019.

Property, Equipment and Software

We record property and equipment at historical cost and compute depreciation using the straight-line method over the estimated useful lives of the assets or the lease terms, generally three years to five years for software and office equipment, five years to seven years for furniture and fixtures, and the shorter of the asset life or the remaining lease term for leasehold improvements. We expense the cost of maintenance and repairs as incurred and capitalize leasehold improvements.

We capitalize internal and external costs incurred to develop internal-use computer software during the application development stage. Application development stage costs include software configuration, coding, and installation. Capitalized costs are amortized on a straight-line basis over the estimated useful life, typically ranging from three years to five years, commencing when the software is placed into service. We expense costs incurred during the preliminary project stage, as well as general and administrative, overhead, maintenance and training costs, and costs that do not add functionality to existing systems.

We periodically assess the likelihood of unsuccessful completion of projects in progress, as well as monitor events or changes in circumstances, which might suggest that impairment has occurred and recoverability should be evaluated. An impairment loss is recognized if the carrying amount of the asset is not recoverable and exceeds the future net cash flows expected to be generated by the asset.

We evaluate our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An asset is considered impaired if the carrying amount exceeds the undiscounted future net cash flows the asset is expected to generate. An impairment charge is recognized for the amount by which the carrying amount of the assets exceeds its fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less selling costs.

Goodwill and Other Intangible Assets

Our goodwill and identifiable intangible assets with indefinite useful lives are not amortized, but are tested for impairment on an annual basis or when an event occurs or circumstances change in a way to indicate that there has been a potential decline in the fair value of the reporting unit. Goodwill impairment is determined by comparing the estimated fair value of the reporting unit to its carrying amount, including goodwill. All goodwill is associated with one reporting unit within our one reportable segment.

Annually, we perform a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit has declined below its carrying value. This assessment considers various financial, macroeconomic, industry, and reporting unit specific qualitative factors. We perform our annual impairment testing in the fourth quarter. Based on the results of our reviews, no impairment loss was recognized in the results of operations for the years ended December 31, 2020, 2019 and 2018.

Intangible assets with finite useful lives are amortized over their respective estimated useful lives ranging from one year to ten years using either the straight-line method or an accelerated method. Intangible assets are reviewed for indicators of impairment at least annually and evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Based on the results of our reviews, no impairment loss was recognized in the results of operations for the years ended December 31, 2020, 2019 and 2018.

Advertising Costs

We expense the costs of producing advertisements at the time production occurs, and expense the cost of running advertisements in the period in which the advertising space or airtime is used as sales and marketing expense. Advertising costs were $19 million, $18 million, and $17 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Stock Based Compensation

Our stock based awards to employees include time based and performance based restricted stock units and restricted stock awards, stock options and an employee stock purchase plan. Compensation expense associated with restricted stock units and restricted stock awards is based on the fair value of common stock on the date of grant. Compensation expense associated with stock options and employee stock purchase plan are based on the estimated grant date fair value method using the Black-Scholes option pricing model. Expense is recognized using a straight-line amortization method over the respective vesting period for awards that are ultimately expected to vest, with adjustments to expense recognized in the period in which forfeitures occur.

Income Taxes

We account for our provision for income taxes using the asset and liability method, under which we recognize income taxes payable or refundable for current year and deferred tax assets and liabilities for the future tax effect of events that have been recognized in either our financial statements or tax returns. We measure our current and deferred tax assets and liabilities based on provision of enacted tax laws of those jurisdictions in which we operate. The effect of changes in tax laws and regulations, or interpretations, is recognized in our consolidated financial statements in the period that includes the enactment date.

We recognize deferred tax assets and liabilities based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for income tax purposes, as well as the expected benefits of using net operating loss and other carryforwards. We are required to establish a valuation allowance when it is determined more likely than not that the deferred tax assets will not be realized. Provision for income taxes may change when estimates used in determining valuation allowances change or when receipt of new information indicates the need for adjustment in valuation allowances. Changes in valuation allowances are reflected as a component of the provision for income taxes in the period the change is enacted.

We recognize a reserve for uncertain tax positions taken or expected to be taken in a tax return when it is concluded that tax positions are not more likely than not to be sustained upon examination by taxing authorities, including resolution of any related appeals or litigation processes, based on the technical merits of the positions. Assumptions, judgment and the use of estimates are required in determining if the more likely than not standard has been met when developing the provision for income taxes and in determining the expected benefit. The tax benefits of the position recognized in the financial statements are then measured based on the largest amount of benefit that is greater than 50% likely to be realized upon settlement with a taxing authority. Unrecognized tax benefits due to tax uncertainties that do not meet the minimum probability threshold are included as other liabilities and are charged to earnings in the period that such determination is made. We recognize interest and penalties related to uncertain tax positions as a component of income tax expense. Accrued interest and penalties are included in other non-current liabilities on the consolidated balance sheet.

Concentrations of Credit Risk

Financial instruments subject to concentrations of credit risk include cash, cash equivalents and investments (unrestricted and restricted), accounts receivable, and amounts due from insurance carriers. We maintain these financial assets principally in domestic financial institutions. We perform periodic evaluations of the relative credit standing of these institutions. Our exposure to credit risk in the event of default by the financial institutions holding these funds is limited to amounts currently held by the institution in excess of insured amounts.

Under the terms of professional services agreements, clients agree to maintain sufficient funds or other satisfactory credit at all times to cover the cost of their current payroll, all accrued paid time off, vacation or sick leave balances, and other vested wage and benefit obligations for all their work site employees. We generally require payment from our clients on or before the applicable payroll date.

For certain clients, we require an indemnity guarantee payment (IGP) supported by a letter of credit, bond, or a certificate of deposit from certain financial institutions. The IGP typically equals the total payroll and service fee for one average payroll period.

No client accounted for more than 10% of total revenues in the years ended December 31, 2020, 2019 and 2018. Bad debt expense, net of recoveries was $1 million for the year ended December 31, 2020 and insignificant for the years ended December 31, 2019 and 2018.

Recent Accounting Pronouncements

Recently adopted accounting guidance

Leases - In February 2016, the FASB issued ASC 842, which replaced existing lease guidance under GAAP. Under this guidance, we recognize on our balance sheet lease liabilities representing the present value of future lease payments and an associated right-of-use asset representing our right to use or control the use of specified assets for the lease term for any operating lease with a term greater than one year.

The impact of our adoption of ASC 842 did not have a material impact on our income statement or cash flow statement. The impact on our balance sheets is as follows:

(in millions)	December 31, 2019 As reported	Balance Using Previous Standard	Increase (Decrease)
Balance sheet			
Assets			
Operating lease right-of-use assets	$ 55	$ —	$ 55
Liabilities			
Operating lease liabilities	17	—	17
Operating lease liabilities, noncurrent	48	10	38
Equity			
Accumulated deficit	(219)	(219)	—

Credit Losses - We adopted ASU 2016-13 - Financial Instruments - Credit Losses (ASC Topic 326) effective January 1, 2020 using a modified retrospective approach, under which we recognized the cumulative effects of initially applying this guidance as an adjustment to the opening balance of retained earnings on January 1, 2020 with unchanged comparative periods. We are required to use forward-looking information when evaluating an allowance for our accounts receivable, unbilled revenue and other financial assets measured at amortized cost. ASC Topic 326 also modified the impairment guidance for available-for-sale debt securities to require an allowance for credit losses. The adoption of ASC Topic 326 did not have a material effect on our financial statements.

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS - UNRESTRICTED AND RESTRICTED

Under the terms of the agreements with certain of our workers' compensation and health benefit insurance carriers, we are required to maintain collateral in trust accounts for the benefit of specified insurance carriers and to reimburse the carriers' claim payments within our deductible layer. We invest a portion of the collateral amounts in marketable securities. We report the current and noncurrent portions of these trust accounts as restricted cash, cash equivalents and investments on the consolidated balance sheets.

We require our clients to prefund their payroll and related taxes and other withholding liabilities before payroll is processed or due for payment. This prefund is included in restricted cash, cash equivalents and investments as payroll funds collected, which is designated to pay pending payrolls, payroll tax liabilities and other payroll withholdings.

We also invest available corporate funds, primarily in fixed income securities which meet the requirements of our corporate investment policy and are classified as available for sale (AFS).

Our total cash, cash equivalents and investments are summarized below:

(in millions)	December 31, 2020 Cash and cash equivalents	December 31, 2020 Available-for-sale marketable securities	December 31, 2020 Total	December 31, 2019 Cash and cash equivalents	December 31, 2019 Available-for-sale marketable securities	December 31, 2019 Certificate of deposits	December 31, 2019 Total
Cash and cash equivalents	**$ 301**	**$ —**	**$ 301**	$ 213	$ —	$ —	$ 213
Investments	**—**	**57**	**57**	—	68	—	68
Restricted cash, cash equivalents and investments							
Payroll funds collected	**1,228**	**—**	**1,228**	1,018	—	—	1,018
Collateral for health benefits claims	**16**	**82**	**98**	98	—	—	98
Collateral for workers' compensation claims	**60**	**—**	**60**	62	—	—	62
Other security deposits	**2**	**—**	**2**	2	—	—	2
Total restricted cash, cash equivalents and investments	**1,306**	**82**	**1,388**	1,180	—	—	1,180
Investments, noncurrent	**—**	**138**	**138**	—	125	—	125
Restricted cash, cash equivalents and investments, noncurrent							
Collateral for workers' compensation claims	**36**	**174**	**210**	63	148	1	212
Total	**$ 1,643**	**$ 451**	**$ 2,094**	$ 1,456	$ 341	$ 1	$ 1,798

NOTE 3. INVESTMENTS

The amortized cost, gross unrealized gains, gross unrealized losses, and fair values of our AFS investments as of December 31, 2020 and 2019 are presented below:

	December 31, 2020				December 31, 2019			
(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Asset-backed securities	$ 24	$ —	$ —	$ 24	$ 30	$ —	$ —	$ 30
Corporate bonds	126	2	—	128	123	1	—	124
U.S. government agencies and government-sponsored agencies	27	1	—	28	14	—	—	14
U.S. treasuries	261	4	—	265	163	—	—	163
Certificates of deposit	—	—	—	—	1	—	—	1
Other debt securities	6	—	—	6	10	—	—	10
Total	$ 444	$ 7	$ —	$ 451	$ 341	$ 1	$ —	$ 342

Gross unrealized losses were immaterial at December 31, 2020 and 2019.

Unrealized losses on fixed income securities are principally caused by changes in interest rates and the financial condition of the issuer. In analyzing an issuer's financial condition, we consider whether the securities are issued by the federal government or its agencies, whether downgrades by credit rating agencies have occurred, and industry analysts' reports. As we have the ability to hold these investments until maturity, or for the foreseeable future, no decline was deemed to be other-than-temporary. Actual maturities may differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties.

The fair value of debt investments by contractual maturity are shown below:

(in millions)	December 31, 2020
One year or less	$ 120
Over one year through five years	301
Over five years through ten years	6
Over ten years	24
Total fair value	$ 451

The gross proceeds from sales and maturities of AFS securities for the years ended December 31, 2020, 2019, and 2018 are shown below. We had immaterial realized gains and losses from sales of investments for the years ended December 31, 2020, 2019, and 2018.

	Year Ended December 31,		
(in millions)	2020	2019	2018
Gross proceeds from sales	$ 93	$ 76	$ 54
Gross proceeds from maturities	131	83	47
Total	$ 224	$ 159	$ 101

NOTE 4. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

We use an independent pricing source to determine the fair value of our securities. The independent pricing source utilizes various pricing models for each asset class; including the market approach. The inputs and assumptions for the pricing models are market observable inputs including trades of comparable securities, dealer quotes, credit spreads, yield curves and other market-related data.

We have not adjusted the prices obtained from the independent pricing service and we believe the prices received from the independent pricing service are representative of the prices that would be received to sell the assets at the measurement date (exit price).

The carrying value of the Company's cash equivalents and restricted cash equivalents approximate their fair values due to their short-term maturities.

We did not have any Level 3 financial instruments recognized in our balance sheet as of December 31, 2020 and 2019. There were no transfers between levels as of December 31, 2020 and 2019.

Fair Value Measurements on a Recurring Basis

The following tables summarize our financial instruments by significant categories and fair value measurement on a recurring basis as of December 31, 2020 and 2019:

(in millions)	Level 1	Level 2	Total
December 31, 2020			
Cash equivalents:			
Money market mutual funds	$ 2	$ —	$ 2
U.S. treasuries	—	11	11
Total cash equivalents	2	11	13
Investments:			
Asset-backed securities	—	24	24
Corporate bonds	—	93	93
U.S. government agencies and government-sponsored agencies	—	5	5
U.S. treasuries	—	67	67
Other debt securities	—	6	6
Total investments	—	195	195
Restricted cash equivalents:			
Money market mutual funds	99	—	99
Total restricted cash equivalents	99	—	99
Restricted investments:			
Corporate bonds	—	35	35
U.S. government agencies and government-sponsored agencies	—	23	23
U.S. treasuries	—	198	198
Total restricted investments	—	256	256
Total investments and restricted cash equivalents and investments	$ 101	$ 462	$ 563

(in millions)	Level 1	Level 2	Total
December 31, 2019			
Cash equivalents:			
Money market mutual funds	$ 89	$ —	$ 89
U.S. treasuries	—	3	3
Total cash equivalents	89	3	92
Investments:			
Asset-backed securities	—	30	30
Corporate bonds	—	96	96
U.S. government agencies and government-sponsored agencies	—	5	5
U.S. treasuries	—	53	53
Other debt securities	—	10	10
Total investments	—	194	194
Restricted cash equivalents:			
Money market mutual funds	42	—	42
U.S. treasuries	—	12	12
Certificate of deposit	—	2	2
Commercial paper	14	—	14
Total restricted cash equivalents	56	14	70
Restricted investments:			
Corporate bonds	—	28	28
U.S. government agencies and government-sponsored agencies	—	9	9
U.S. treasuries	—	110	110
Certificate of deposit	—	1	1
Total restricted investments	—	148	148
Total investments and restricted cash equivalents and investments	$ 145	$ 359	$ 504

Fair Value of Financial Instruments Disclosure

Long-Term Debt

Our long-term debt is a floating rate debt and the fair value of our floating rate debt approximated its carrying value (exclusive of issuance costs) at December 31, 2020 and 2019. The fair value of our floating rate debt is estimated based on a discounted cash flow, which incorporates credit spreads and market interest rates to estimate the fair value and is considered Level 3 in the hierarchy for fair value measurement.

Derivative Instruments

In June 2019, we entered into an interest rate collar derivative transaction with no upfront premium to mitigate the risk of changes in interest rates on the interest payments on a portion of our floating rate debt. If short-term interest rates increase, we will incur higher interest expense on any future outstanding balances of floating rate debt. We use this derivative as part of our interest rate risk management strategy and designated it as a cash flow hedge. If interest rates rise above the cap strike rate on the contract, we will receive variable-rate amounts and if interest rates fall below the floor strike rate on the contract, we will pay variable-rate amounts.

The following table summarizes the fair value of our derivative instrument at December 31, 2020 and 2019:

				Fair Market Value			
				December 31, 2020		December 31, 2019	
(in millions)	Hedge type	Final settlement date	Notional amount	Other current assets	Accounts payable and other current liabilities	Other current assets	Accounts payable and other current liabilities
Derivatives designated as hedging instruments							
Collar - LIBOR	Cash flow	May 2022	$ 213	**$ —**	**$ 1**	$ —	$ —

The pre-tax effect of our derivative instrument for the year ended December 31, 2020 is insignificant and we estimate approximately $1 million of net derivative losses included in other comprehensive income will be reclassified into earnings within the following 12 months. There were insignificant cash flows associated with the derivative for the year ended December 31, 2020 and none for 2019.

As of December 31, 2020 and 2019, we do not hold, nor have we posted, any collateral related to the above derivative instrument.

The interest rate collar derivative is classified as Level 2 in the fair value hierarchy as its value is determined using observable inputs such as forward LIBOR curves.

NOTE 5. PROPERTY, EQUIPMENT AND SOFTWARE, NET

Property, equipment and software, net, consists of the following:

(in millions)	December 31, 2020	December 31, 2019
Software	**$ 204**	$ 174
Office equipment, including data processing equipment	**28**	27
Leasehold improvements	**24**	24
Furniture, fixtures, and equipment	**16**	17
Projects in progress	**1**	3
Total	**273**	245
Less: Accumulated depreciation	**(194)**	(160)
Property and equipment, net	**$ 79**	$ 85

Projects in progress consist primarily of development costs for internally developed software, which we capitalize and amortize on a straight-line basis over the estimated useful life.

The following table summarizes our depreciation expense and capitalized internally developed software costs and related depreciation expense.

	Year Ended December 31,		
(in millions)	2020	2019	2018
Depreciation expense	**$ 42**	$ 41	$ 35
Capitalized internally developed software costs	**36**	31	33
Depreciation expense for capitalized internally developed software costs	**31**	29	24

NOTE 6. GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in goodwill for the years ended December 31, 2020, 2019 and 2018 are as follows:

(in millions)		Amount
Balance at December 31, 2018	$	289
Additions		—
Balance at December 31, 2019	$	289
Additions [(1)]		**5**
Balance at December 31, 2020	**$**	**294**

[(1)] Refer to Note 17 for more details.

The following summarizes goodwill and other intangible assets:

		December 31, 2020			December 31, 2019		
(in millions)	Weighted Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Goodwill		**$ 294**	**$ —**	**$ 294**	$ 289	$ —	$ 289
Amortizable intangibles:							
Customer contact lists	10 years	**98**	**(80)**	**18**	90	(76)	14
Developed technology	5 years	**—**	**—**	**—**	5	(4)	1
Total		**$ 98**	**$ (80)**	**$ 18**	$ 95	$ (80)	$ 15

Amortization of intangible assets during the years ended December 31, 2020, 2019 and 2018 was $5 million for each period. We evaluate the remaining useful life of intangible assets quarterly to determine whether events and circumstances warrant a revision to the estimated remaining useful life.

Expense related to intangibles amortization in future periods as of December 31, 2020 is expected to be as follows:

Year ending December 31:		Amount (in millions)
2021	**$**	**5**
2022		**5**
2023		**3**
2024		**1**
2025		**1**
2026 and thereafter		**3**
Total	**$**	**18**

NOTE 7. ACCRUED WORKERS' COMPENSATION COSTS

The following table summarizes the accrued workers' compensation cost activity for the years ended December 31, 2020, 2019 and 2018:

(in millions)	Year Ended December 31, 2020	2019	2018
Total accrued costs, beginning of year	**$ 214**	$ 238	$ 255
Incurred			
Current year	**64**	72	80
Prior years	**(20)**	(31)	(28)
Total incurred	**44**	41	52
Paid			
Current year	**(8)**	(14)	(12)
Prior years	**(45)**	(51)	(57)
Total paid	**(53)**	(65)	(69)
Total accrued costs, end of year	**$ 205**	$ 214	$ 238

The following tables summarize workers' compensation liabilities on the consolidated balance sheets:

(in millions)	December 31, 2020	December 31, 2019
Total accrued costs, end of year	**$ 205**	$ 214
Collateral paid to carriers and offset against accrued costs	**(8)**	(9)
Total accrued costs, net of carrier collateral offset	**$ 197**	$ 205
Payable in less than 1 year (net of collateral paid to carriers of $3 as of December 31, 2020 and 2019)	**$ 59**	61
Payable in more than 1 year (net of collateral paid to carriers of $5 and $6 as of December 31, 2020 and 2019, respectively)	**138**	144
Total accrued costs, net of carrier collateral offset	**$ 197**	$ 205

Incurred claims related to prior years represent changes in estimates for ultimate losses on workers' compensation claims. For the years ended December 31, 2020, 2019 and 2018, the favorable development was primarily due to lower than expected severity development on claims that had previously been reported.

As of December 31, 2020 and 2019, we had $45 million and $46 million, respectively, of collateral held by insurance carriers of which $8 million and $9 million, respectively, was offset against accrued workers' compensation costs as the agreements permit and are net settled of insurance obligations against collateral held.

NOTE 8. LEASES

Our leasing activities predominantly consist of leasing office space that we occupy, which we have classified as operating leases. Our leases are comprised of fixed payments with remaining lease terms of 1 to 8 years, one of which includes an option to extend for up to 5 years. As of December 31, 2020, we have not included any options to extend or cancel in the calculation of our lease liability or ROU asset. We do not have any significant residual value guarantees or restrictive covenants in our leases.

We recognized operating lease expense of $17 million, $19 million and $20 million for the years ended December 31, 2020, 2019 and 2018, respectively.

During the year ended December 31, 2020, we paid $2 million to reduce operating lease liabilities and recognized $2 million in new operating lease liabilities in exchange for ROU assets.

As of December 31, 2020, the weighted average remaining lease term on our operating leases was 5.8 years. Future minimum lease payments as of December 31, 2020 were as follows:

(in millions)		December 31, 2020
2021	$	**13**
2022		**13**
2023		**11**
2024		**9**
2025		**7**
2026 and thereafter		**15**
Total future minimum lease payments	**$**	**68**
Less: imputed interest		**(8)**
Total operating lease liabilities	**$**	**60**
Current portion		**11**
Non-current portion		**49**

NOTE 9. LONG-TERM DEBT AND REVOLVING CREDIT AGREEMENT BORROWINGS

As of December 31, 2020 and 2019, long-term debt consisted of the following:

(in millions)		December 31, 2020		December 31, 2019
2018 Term Loan A		**370**		392
Total term loans		**370**		392
Deferred loan costs		**—**		(1)
Less: current portion		**(22)**		(22)
Long-term debt, noncurrent	**$**	**348**	$	369
Annual contractual interest rate		**1.77 %**		3.42 %
Effective interest rate		**1.87 %**		3.52 %

In June 2018 we entered into a $425 million term loan A (our 2018 Term Loan) under our credit agreement (2018 Credit Agreement). The proceeds of the 2018 Term Loan were used to repay our previously outstanding term loans.

The 2018 Credit Agreement includes a $250 million revolving credit facility (our 2018 Revolver), which could be used solely for working capital and other general corporate purposes. The 2018 Revolver includes capacity for a $20 million swingline facility. Letters of credit issued pursuant to the revolving credit facility reduce the amount available for borrowing under the 2018 Revolver. At December 31, 2020, we had $16 million of letters of credit outstanding and remaining capacity of 234 million under the 2018 Revolver.

Interest on our 2018 Term Loan is payable quarterly and is variable based on LIBOR plus 1.625% or the prime rate plus 0.625%, at our option, subject to certain rate adjustments based upon our total leverage ratio. At December 31, 2020, the interest rates were based on LIBOR plus 1.625%. We are required to pay a quarterly commitment fee on the daily unused amount of the commitments under our 2018 Revolver, as well as fronting fees and other customary fees for letters of credit issued under our 2018 Revolver, which is subject to adjustments based on our total leverage ratio.

Borrowings under our 2018 Term Loan and 2018 Revolver are secured by substantially all of our assets, other than excluded assets as defined in our 2018 Credit Agreement, which includes certain customary assets, assets held in trusts as collateral and WSE related assets.

We are permitted to make voluntary prepayments at any time without payment of a premium. We are required to make mandatory prepayments of term loans (without payment of a premium) with (i) net cash proceeds from issuances of debt (other than certain permitted debt), and (ii) net cash proceeds from certain non-ordinary course asset sales and casualty and condemnation proceeds (subject to reinvestment rights and other exceptions).

The 2018 Credit Agreement contains certain financial covenants and restrictive covenants customary for facilities of this type, including restrictions on indebtedness, liens, investments, mergers, dispositions, prepayment of indebtedness (other than our 2018 Term Loan and our 2018 Revolver), dividends, distributions and transactions with affiliates, as well as minimum interest coverage and maximum total leverage ratio requirements. We were in compliance with all financial covenants under the credit facilities at December 31, 2020.

The remaining balance of our 2018 Term Loan will be repaid in quarterly installments in aggregate annual amounts as follows:

	Year ending December 31,					
(in millions)	2021	2022	2023	2024	2025	Thereafter
Term loan repayments	$ 22	$ 22	$ 326	$ —	$ —	$ —

NOTE 10. COMMITMENTS AND CONTINGENCIES

Contingencies

On September 29, 2020, a class action was filed in the United States District Court for the Middle District of Florida against the directors of certain TriNet subsidiaries and other TriNet employees on behalf of participants in two retirement plans available to TriNet's eligible worksite employees, the TriNet 401(k) Plan and the TriNet Select 401(k) Plan (the "Plans"). The complaint is similar to claims recently brought against a number of employers including PEOs and generally alleges that the defendants violated certain fiduciary obligations to Plan participants under the Employee Retirement Income Security Act of 1974 with respect to overseeing plan investment and recordkeeping fees. These claims are in the early stages, and we are unable to reasonably estimate any possible loss, or range of loss, with respect to this matter. We believe the claims are without merit.

We are and, from time to time, have been and may in the future become involved in various litigation matters, legal proceedings, and claims arising in the ordinary course of our business, including disputes with our clients or various class action, collective action, representative action, and other proceedings arising from the nature of our co-employment relationship with our clients and WSEs in which we are named as a defendant. In addition, due to the nature of our co-employment relationship with our clients and WSEs, we could be subject to liability for federal and state law violations, even if we do not participate in such violations. While our agreements with our clients contain indemnification provisions related to the conduct of our clients, we may not be able to avail ourselves of such provisions in every instance. We have accrued our current best estimates of probable losses with respect to these matters, which are individually and in aggregate immaterial to our consolidated financial statements.

While the outcome of the matters described above cannot be predicted with certainty, management currently does not believe that any such claims or proceedings will have a materially adverse effect on our consolidated financial position, results of operations, or cash flows. However, the unfavorable resolution of any particular matter or our reassessment of our exposure for any of the above matters based on additional information obtained in the future could have a material impact on our consolidated financial position, results of operations, or cash flows.

NOTE 11. STOCK BASED COMPENSATION

Equity Based Incentive Plans

Our 2019 Equity Incentive Plan (the 2019 Plan), approved in May 2019, provides for the grant of stock awards, including stock options, RSUs, RSAs, and other stock awards. There were approximately 2 million shares available for grant under the 2019 Plan as of December 31, 2020.

The 2009 Equity Incentive Plan (the 2009 Plan), was replaced by the 2019 Plan, except that any outstanding awards granted under the 2009 Plan remain in effect pursuant to their terms.

Stock Options

Stock options are granted to employees at exercise prices equal to the fair market value of our common stock on the dates of grant. Stock options generally have a maximum contractual term of 10 years. Stock options generally vest over 4 years, and are generally forfeited if the employee terminates service prior to vesting.

The following table summarizes stock option activity for the year ended December 31, 2020:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Balance at December 31, 2019	462,011	$ 13.90	4.0	$ 20
Exercised	(81,026)	8.70		
Canceled	(1,000)	0.50		
Balance at December 31, 2020	**379,985**	**$ 15.10**	**3.2**	**$ 25**
Vested and exercisable at December 31, 2020	**379,985**	**$ 15.10**	**3.2**	**$ 25**

Additional Disclosures for Stock Options (in millions)	Year Ended December 31, 2020	2019	2018
Total fair value of options vested	**$ —**	$ 1	$ 4
Total intrinsic value of options exercised	**4**	9	24
Cash received from options exercised	**1**	2	7

Restricted Stock Units (RSUs) and Restricted Stock Awards (RSAs)

Time-based RSUs and RSAs generally vest over a four-year term. Performance-based RSUs and RSAs are subject to vesting requirements and are earned, in part, based on certain financial performance metrics as defined in the grant notice. Actual number of shares earned may range from 0% to 200% of the target award. Performance-based awards granted in 2020 and 2018 are earned based on a single-year performance period subject to subsequent multi-year time-based vesting with 50% of the shares earned vesting in one year after the performance period and the remaining shares in the year after. The performance-based awards granted in 2019 were previously cancelled. RSUs and RSAs are generally forfeited if the participant terminates service prior to vesting.

The following tables summarize RSU and RSA activity for the year ended December 31, 2020:

Time-based RSUs and RSAs

	Total Number of RSUs	Total Number of RSAs	Total Number of Shares	Weighted-Average Grant Date Fair Value
Nonvested at December 31, 2019	1,104,729	61,136	1,165,865	$ 48.47
Granted	932,517	—	932,517	54.00
Vested	(661,923)	(27,170)	(689,093)	45.02
Forfeited	(145,252)	(3,940)	(149,192)	51.86
Nonvested at December 31, 2020	**1,230,071**	**30,026**	**1,260,097**	**$ 54.04**

Additional Disclosures for equity-based plans	Year Ended December 31, 2020	2019	2018
Total grant date fair value of shares granted (in millions)	**$ 50**	$ 38	$ 38
Total grant date fair value of shares vested (in millions)	**$ 31**	$ 30	$ 28
Shares withheld to settle payroll tax liabilities related to vesting of shares held by employees	**230,569**	315,762	348,010

Performance-based RSUs and RSAs

	Total Number of RSUs	Total Number of RSAs	Total Number Shares	Weighted-Average Grant Date Fair Value
Nonvested at December 31, 2019	15,752	114,857	130,609	$ 49.70
Granted	183,981	—	183,981	52.86
Vested	(12,742)	(87,769)	(100,511)	49.28
Forfeited	(19,864)	(11,036)	(30,900)	50.98
Nonvested at December 31, 2020	167,127	16,052	183,179	$ 52.89

	Year Ended December 31,		
Additional Disclosures for equity-based plans	2020	2019	2018
Total grant date fair value of shares granted (in millions)	**$ 10**	$ 4	$ 14
Total grant date fair value of shares vested (in millions)	**$ 5**	$ 11	$ 7
Shares withheld to settle payroll tax liabilities related to vesting of shares held by employees	**48,787**	135,877	110,222

Employee Stock Purchase Plan

Our 2014 Employee Stock Purchase Plan (ESPP) offers eligible employees an option to purchase shares of our common stock through payroll deductions. The purchase price is equal to the lesser of 85% of the fair market value of our common stock on the offering date or 85% of the fair market value of our common stock on the applicable purchase date. Offering periods are approximately six months in duration and will end on or about May 15 and November 15 of each year. The plan is considered to be a compensatory plan. As of December 31, 2020, approximately 4 million shares were reserved for future issuances under the ESPP.

In applying the Black Scholes option valuation model for the ESPP options, we use the following assumptions:

	Year Ended December 31,		
(in millions)	2020	2019	2018
Expected Term (in Years)	**0.5**	0.5	0.5
Expected Volatility	**40-83%**	27-42%	27-37%
Risk-Free Interest Rate	**0.2-1.6%**	1.6-2.5%	1.42-2.5%
Expected Dividend Yield	**0 %**	0 %	0 %
Shares Issued under ESPP	**236,887**	207,324	175,966

Stock Based Compensation

Stock based compensation expense is measured based on the fair value of the stock award on the grant date and recognized over the requisite service period for each separately vesting portion of the stock award. Stock based compensation expense and other disclosures for stock based awards made to our employees pursuant to the equity plans were as follows:

	Year Ended December 31,		
(in millions)	2020	2019	2018
Cost of providing services	**$ 9**	$ 8	$ 10
Sales and marketing	**6**	3	8
General and administrative	**26**	28	22
Systems development and programming costs	**2**	2	4
Total stock based compensation expense	**$ 43**	$ 41	$ 44
Total stock based compensation capitalized	**$ 1**	$ 1	$ —
Income tax benefit related to stock based compensation expense	**$ 9**	$ 11	$ 11
Tax benefit realized from stock options exercised and similar awards	**$ 14**	$ 18	$ 23

The table below summarizes unrecognized compensation expense for the year ended December 31, 2020 associated with the following:

	Amount (in millions)	Weighted-Average Period (in Years)
Nonvested RSUs	**$ 63**	**2.47**
Nonvested RSAs	**9**	**2.00**

NOTE 12. STOCKHOLDERS' EQUITY

Common Stock

The following table shows the beginning and ending balances of our issued and outstanding common stock for the year ended December 31, 2020, 2019, and 2018:

	Year Ended December 31,		
	2020	**2019**	**2018**
Shares issued and outstanding, beginning balance	**69,065,491**	70,596,559	69,818,392
Issuance of common stock from vested restricted stock units [(1)]	**659,689**	1,036,119	1,634,271
Issuance of common stock from exercise of stock options	**81,026**	187,504	617,157
Issuance of common stock for employee stock purchase plan	**236,887**	207,324	175,966
Repurchase of common stock	**(3,307,074)**	(2,510,376)	(1,190,995)
Awards effectively repurchased for required employee withholding taxes	**(279,356)**	(451,639)	(458,232)
Shares issued and outstanding, ending balance	**66,456,663**	69,065,491	70,596,559

[(1)] Net of shares of common stock underlying cancelled RSAs

Stock Repurchases

In February 2020, our board of directors authorized a $300 million incremental increase to our ongoing stock repurchase program. This repurchase authorization has no expiration. We retire shares in the period they are acquired and account for the payment as a reduction to stockholders' equity.

The following table summarizes the share repurchases under this program for the years ended December 31, 2020, 2019 and 2018:

	Year Ended December 31,		
	2020	**2019**	**2018**
Total cost (in millions)	**$ 178**	$ 140	$ 61
Total shares	**3,307,074**	2,510,376	1,190,995
Average price per share	**$ 53.85**	$ 55.64	$ 51.22

As of December 31, 2020, $358 million remains available for repurchase under all authorizations approved by the board of directors.

NOTE 13. INCOME TAXES

Provision for Income Taxes

We are subject to tax in U.S. federal and various state and local jurisdictions, as well as Canada. We are open to federal and significant state income tax examinations for tax year 2016 and subsequent years. The provision for income taxes consists of the following:

	Year Ended December 31,		
(in millions)	2020	2019	2018
Current:			
Federal	**$ 96**	$ 53	$ 41
State	**30**	12	7
Foreign	**1**	—	—
Total Current	**127**	65	48
Deferred:			
Federal	**(33)**	(2)	(3)
State	**(9)**	(5)	4
Total Deferred	**(42)**	(7)	1
Total	**$ 85**	$ 58	$ 49

The U.S. federal statutory income tax rate reconciled to our effective tax rate is as follows:

	Year Ended December 31,								
	2020			2019			2018		
(in millions, except percent)	Pre-Tax Income	Tax Expense/(Benefit)	Percent of Pre-Tax Income (Loss)	Pre-Tax Income	Tax Expense/(Benefit)	Percent of Pre-Tax Income (Loss)	Pre-Tax Income	Tax Expense/(Benefit)	Percent of Pre-Tax Income (Loss)
	$ 357			$ 270			$ 241		
U.S. federal statutory tax rate		**$ 75**	**21 %**		$ 57	21 %		$ 51	21 %
State income taxes, net of federal benefit		**25**	**7**		20	7		18	8
Nondeductible meals, entertainment and penalties		**—**	**—**		1	—		1	—
Stock based compensation		**(2)**	**—**		(1)	—		(9)	(4)
Uncertain tax positions		**1**	**—**		—	—		1	—
Tax credits		**(6)**	**(2)**		(7)	(3)		(5)	(2)
State and tax return to provision adjustments		**(7)**	**(2)**		(8)	(3)		(7)	(3)
Sec 199 benefits		**—**	**—**		(1)	—		—	—
Other		**(1)**	**—**		(3)	(1)		(1)	—
Total		**$ 85**	**24 %**		$ 58	21 %		$ 49	20 %

Our effective income tax rate increased by 3% to 24% in 2020 from 21% in 2019. The increase was primarily attributable to a decrease in excludable income for state tax purposes, a decrease in tax credits and a benefit recorded in the prior year from changes in valuation allowance.

Deferred Income Taxes

Significant components of our deferred tax assets and liabilities are as follows:

(in millions)	Year Ended December 31, 2020	2019
Deferred tax assets:		
Net operating losses (federal and state)	**$ 3**	$ 3
Accrued expenses	**14**	8
Accrued workers' compensation costs	**9**	9
Recovery credit	**26**	—
Operating lease liabilities	**15**	17
Stock based compensation	**3**	3
Tax benefits relating to uncertain positions	**1**	1
Tax credits (federal and state)	**8**	7
Total	**79**	48
Valuation allowance	**(5)**	(5)
Total deferred tax assets	**74**	43
Deferred tax liabilities:		
Depreciation and amortization	**(37)**	(27)
Deferred service revenues	**(20)**	(41)
Prepaid commission expenses	**(22)**	(19)
Operating lease right-of-use assets	**(13)**	(15)
Other	**(2)**	(1)
Total deferred tax liabilities	**(94)**	(103)
Net deferred tax liabilities	**$ (20)**	$ (60)

As of December 31, 2020, we have an acquired federal net operating loss of $2 million, of which an immaterial amount, if unused, will expire in 2028 and the rest can be carried forward indefinitely. As of December 31, 2020 and 2019, we have various state net operating loss carryforwards of $39 million and $53 million, respectively, which, if unused, will expire in years 2021 through 2039 with the exception of an immaterial amount that will be carried forward indefinitely. As of December 31, 2020 and 2019, we have state tax credit carryforwards (net of federal benefit) of $6 million and $6 million, respectively available that will begin expiring in 2021, which are offset by a valuation allowance of $4 million and $4 million as of December 31, 2020 and 2019, respectively.

The provision for income taxes for the year ended December 31, 2020 included $4 million of excess tax benefits resulting from equity incentive plan activities.

We previously paid Notices of Proposed Assessments disallowing employment tax credits totaling $11 million, plus interest of $4 million in connection with the IRS examination of Gevity HR, Inc. and its subsidiaries, which was acquired by TriNet in June 2009. TriNet filed suit in June 2016 to recover the disallowed credits, and the issue is being resolved through the litigation process. TriNet and the U.S. filed cross motions for summary judgment in federal district court. On September 17, 2018, the district court granted our motion for summary judgment and denied the U.S.'s motion. On January 18, 2019, the district court entered judgment in favor of TriNet in the amount of $15 million, plus interest. The U.S. filed a notice of appeal of the federal district court's decision on March 18, 2019. The U.S. filed its opening brief in the court of appeals on June 10, 2019 and we filed our answering brief on July 24, 2019 to which the government filed its reply brief on September 6, 2019. Oral arguments occurred on March 11, 2020. On November 5, 2020, the court of appeals affirmed the district court's judgement in favor of TriNet. The IRS has 150 days to petition the Supreme Court. We will continue to vigorously defend our position through the litigation process. Given the uncertainty of the outcome of any appeal, it remains possible that our recovery of the refund will be less than the total amount in dispute.

Valuation Allowance

We have recorded a valuation allowance to reflect the estimated amount of deferred tax assets that may not be realized. A reconciliation of the beginning and ending amount of the valuation allowance is presented in the table below:

	Year Ended December 31,		
(in millions)	2020	2019	2018
Valuation allowance at January 1	**$ 5**	$ 7	$ 7
Credited/ charged to net income	**—**	(2)	—
Valuation allowance at December 31	**5**	5	7

Uncertain Tax Positions

As of December 31, 2020 and 2019, the total unrecognized tax benefits related to uncertain income tax positions, which would affect the effective tax rate if recognized, were $8 million and $7 million, respectively.

A reconciliation of the beginning and ending amount of unrecognized tax benefits (excluding interest and penalties) is presented in the table below:

	Year Ended December 31,		
(in millions)	2020	2019	2018
Unrecognized tax benefits at January 1	**$ 7**	$ 6	$ 6
Additions for tax positions of prior periods	**1**	1	1
Additions for tax positions of current period	**1**	1	—
Reductions for tax positions of prior period:			
Settlements with taxing authorities	**(1)**	—	—
Lapse of applicable statute of limitations	**—**	(1)	(1)
Unrecognized tax benefits at December 31	**$ 8**	$ 7	$ 6

As of December 31, 2020 and 2019, the total amount of gross interest and penalties accrued were immaterial. The unrecognized tax benefit, including accrued interest and penalties, is included in other non-current liabilities on the consolidated balance sheets.

It is reasonably possible the amount of the unrecognized benefit could increase or decrease within the next twelve months, which would have an impact on net income.

NOTE 14. EARNINGS PER SHARE

Basic EPS is computed based on the weighted average shares of common stock outstanding during the period. Diluted EPS is computed based on those shares used in the basic EPS computation, plus potentially dilutive shares issuable under our equity-based compensation plans using the treasury stock method. Shares that are potentially anti-dilutive are excluded.

The following table presents the computation of our basic and diluted EPS attributable to our common stock:

	Year Ended December 31,		
(in millions, except per share data)	2020	2019	2018
Net income	**$ 272**	$ 212	$ 192
Weighted average shares of common stock outstanding	**67**	70	70
Basic EPS	**$ 4.03**	$ 3.04	$ 2.72
Net income	**$ 272**	$ 212	$ 192
Weighted average shares of common stock outstanding	**67**	70	70
Dilutive effect of stock options and restricted stock units	**1**	1	2
Weighted average shares of common stock outstanding	**68**	71	72
Diluted EPS	**$ 3.99**	$ 2.99	$ 2.65
Common stock equivalents excluded from income per diluted share because of their anti-dilutive effect	**1**	1	1

NOTE 15. 401(k) PLAN

The Company maintains a defined contribution 401(k) plan for the benefit of corporate employees. Under our 401(k) plan, eligible employees may elect to contribute based on their eligible compensation. The Company matches a portion of employee contributions, which amounted to $12 million, $14 million, and $11 million for the years ended December 31, 2020, 2019, and 2018, respectively.

We also maintain multiple employer defined contribution plans, which cover WSEs for client companies electing to participate in the plan and for their internal staff employees. We contribute, on behalf of each participating client, varying amounts based on the clients' policies and serviced employee elections.

NOTE 16. RELATED PARTY TRANSACTIONS

We have service agreements with certain stockholders that we process their employees' payrolls and payroll taxes. From time to time, we also enter into sales and purchases agreements with various companies that have a relationship with our executive officers or members of our board of directors. The relationships are typically equity investment firm clients on which a board member serves in an executive role, an equity investment by those firms in a client/vendor company, or other clients/vendors on which our executive officer or board member serves as a member of the client/vendor company's board of directors. We have received $22 million, $25 million, and $20 million in total revenues from such related parties during the years ended December 31, 2020, 2019 and 2018, respectively.

We have also entered into various software license agreements with software service providers who have board members in common with us. We paid the software service providers $1 million, $10 million, and $5 million during the years ended December 31, 2020, 2019 and 2018, for services we received, respectively.

NOTE 17. ACQUISITION

In July 2020, the Company acquired all of the shares outstanding of Little Bird HR, Inc. ("Little Bird"), a privately held PEO specializing in benefits and human resource solutions for the education institution industry in the Greater New York area and East Coast region. This acquisition reflects our ability to identify attractive verticals and industries where our value proposition is particularly well-suited.

The Company recorded the acquisition using the acquisition method of accounting and recognized assets at their fair value as of the date of acquisition, with the excess recorded to goodwill. The fair values of assets acquired and liabilities assumed may change over the measurement period as additional information is received. The measurement period will end no later than one year from the acquisition date.

The following table summarizes the major classes of assets acquired:

(in millions)	December 31, 2020
Accounts receivable	$ 2
Customer contact list	8
Goodwill	5

The results from this acquisition have been included in the Company's consolidated financial statements since the closing of the acquisition. Pro forma financial information was not presented because the effect of the acquisition was not material to the Company's results of operations and financial condition. The goodwill associated with the acquisition is not deductible for income tax purposes.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We have, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2020, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act).

Based on the evaluation of our disclosure controls and procedures as of December 31, 2020, our Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of December 31, 2020 in ensuring that

i. information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure and

ii. such information is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Management's Report on Internal Control Over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with GAAP.

Due to inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with policies or procedures may deteriorate.

We have performed an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2020 based upon criteria set forth in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this assessment, we determined that our internal control over financial reporting was effective as of December 31, 2020.

Deloitte & Touche LLP, our independent registered public accounting firm, has issued an audit report on the effectiveness of our internal control over financial reporting as of December 31, 2020. This audit report appears in Part II, Item 8. Financial Statements and Supplementary Data, of this Form 10-K.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the three months ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information required by this item is incorporated by reference to TriNet Group Inc.'s Proxy Statement for its 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the year ended December 31, 2020.

Item 11. Executive Compensation.

Information required by this item is incorporated by reference to TriNet Group Inc.'s Proxy Statement for its 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the year ended December 31, 2020.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information required by this item is incorporated by reference to TriNet Group Inc.'s Proxy Statement for its 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the year ended December 31, 2020.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information required by this item is incorporated by reference to TriNet Group Inc.'s Proxy Statement for its 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the year ended December 31, 2020.

Item 14. Principal Accounting Fees and Services.

Information required by this item is incorporated by reference to TriNet Group Inc.'s Proxy Statement for its 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the year ended December 31, 2020.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) The following documents are filed as a part of the report:

(1) The financial statements filed as part of this report are listed in the “Index to Financial Statements” under Part II, Item 8. Financial Statements and Supplementary Data.

(2) Financial statement schedules have been omitted, since the required information is not applicable or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and accompanying notes included in this Form 10-K.

Item 16. Form 10-K Summary.

None.

EXHIBIT INDEX

Exhibit No.	Description of Exhibit	Incorporated by Reference: Form	File No.	Exhibit	Filing	Filed Herewith
3.1	Amended and Restated Certificate of Incorporation of TriNet Group, Inc.	8-K	001-36373	3.1	4/1/2014	
3.2	Certificate of Correction of Amended and Restated Certificate of Incorporation of TriNet Group, Inc.	10-Q	001-36373	3.1	11/2/2017	
3.3	Amended and Restated Bylaws of TriNet Group, Inc.	S-1/A	333-192465	3.4	3/4/2014	
4.1	Registration Rights Agreement, by and between TriNet Group, Inc. and AGI-T, L.P., dated as of February 1, 2017.	8-K	001-36373	4.1	2/2/2017	
4.2	Description of the Registrant’s Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.	10-K	001-36373	4.2	2/13/2020	
10.1*	Amended and Restated 2009 Equity Incentive Plan.	S-1/A	333-192465	10.3	3/14/2014	
10.2*	Form of Performance-Based Restricted Stock Unit Award Agreement and Performance-Based Restricted Stock Unit Grant Notice under the Amended and Restated 2009 Equity Incentive Plan.	10-Q	001-36373	10.1	5/8/2015	
10.3*	Form of Option Agreement and Option Grant Notice under the Amended and Restated 2009 Equity Incentive Plan.	S-1/A	333-192465	10.4	3/4/2014	
10.4*	Form of Restricted Stock Unit Agreement and Restricted Stock Unit Award Notice under the Amended and Restated 2009 Equity Incentive Plan.	S-1/A	333-192465	10.6	3/4/2014	
10.5*	Form of Restricted Stock Unit Award Agreement and Restricted Stock Unit Grant Notice under the Amended and Restated 2009 Equity Incentive Plan.	10-Q	001-36373	10.1	4/30/2018	
10.6*	Form of Performance-Based Restricted Stock Unit Award Agreement and Performance-Based Restricted Stock Unit Grant Notice under the Amended and Restated 2009 Equity Incentive Plan.	10-Q	001-36373	10.2	4/30/2018	
10.7*	Form of Restricted Stock Award Agreement and Restricted Stock Grant Notice under the Amended and Restated 2009 Equity Incentive Plan.	10-Q	001-36373	10.3	4/30/2018	
10.8*	Form of Performance-Based Restricted Stock Award Agreement and Performance-Based Restricted Stock Grant Notice under the 2009 Equity Incentive Plan, as amended through February 20, 2014.	10-Q	001-36373	10.4	4/30/2018	
10.9*	Form of Restricted Stock Unit Award Agreement and Restricted Stock Unit Grant Notice under the Amended and Restated 2009 Equity Incentive Plan.	10-Q	001-36373	10.2	4/29/2019	

Exhibit No.	Description of Exhibit	Incorporated by Reference Form	File No.	Exhibit	Filing	Filed Herewith
10.10*	Form of Performance-Based Restricted Stock Unit Award Agreement and Performance-Based Restricted Stock Unit Grant Notice under the Amended and Restated 2009 Equity Incentive Plan.	10-Q	001-36373	10.3	4/29/2019	
10.11*	TriNet Group, Inc. 2019 Equity Incentive Plan.	10-Q	001-36373	10.1	7/25/2019	
10.12*	Form of Non-Employee Director Restricted Stock Unit Grant Notice and Non-Employee Director Restricted Stock Unit Award Agreement under the TriNet Group, Inc. 2019 Equity Incentive Plan effective as of January 15, 2020.	10-Q	001-36373	10.4	4/28/2020	
10.13*	Form of Restricted Stock Unit Grant Notice under the TriNet Group, Inc. 2019 Equity Incentive Plan effective as of February 24, 2020.	10-Q	001-36373	10.2	4/28/2020	
10.14*	Form of Performance-Based Restricted Stock Unit Grant Notice and Performance-Based Restricted Stock Unit Award Agreement under the TriNet Group, Inc. 2019 Equity Incentive Plan effective as of February 24, 2020.	10-Q	001-36373	10.3	4/28/2020	
10.15*	2014 Employee Stock Purchase Plan.	S-1/A	333-192465	10.7	3/14/2014	
10.16*	2015 Executive Bonus Plan.	8-K	001-36373	N/A	3/11/2015	
10.17*	Amended and Restated Non-Employee Director Compensation Policy.	8-K	001-36373	10.1	11/19/2020	
10.18*	TriNet Group, Inc. Severance Benefit Plan.	10-K	001-36373	10.10	4/1/2016	
10.19*	TriNet Group, Inc. Amended and Restated Executive Severance Benefit Plan	8-K	001-36373	10.1	5/23/2017	
10.20*	TriNet Group Inc. Amended and Restated Executive Severance Benefit Plan	10-Q	001-36373	10.5	4/30/2018	
10.21	Form of Indemnification Agreement made by and between TriNet Group, Inc. and each of its directors and executive officers.	S-1/A	333-192465	10.8	3/4/2014	
10.22*	Employment Agreement, dated November 9, 2009, between Burton M. Goldfield and TriNet Group, Inc.	S-1/A	333-192465	10.9	2/13/2014	
10.23*	Employment Agreement, dated March 31, 2017, between Richard Beckert and TriNet Group, Inc.	10-Q	001-36373	10.1	8/1/2017	
10.24	Transition Agreement dated February 11, 2020, between TriNet Group, Inc. and Richard Beckert.	10-Q	001-36373	10.1	4/28/2020	
10.25*	Second Amended and Restated Employment Agreement, dated December 31, 2016, between Edward Griese and TriNet Group, Inc.	10-Q	001-36373	10.2	8/1/2017	
10.26*	Employment Agreement, dated October 16, 2017, between Barrett Boston and TriNet Group, Inc., as amended on February 26, 2018.	10-K	001-36373	10.15	2/27/2018	

Exhibit No.	Description of Exhibit	Incorporated by Reference Form	File No.	Exhibit	Filing	Filed Herewith
10.27*	Employment Agreement, dated November 19, 2018, between Samantha Wellington and TriNet Group, Inc.	10-K	001-36373	10.22	2/14/2019	
10.28*	First Amended and Restated Employment Agreement dated April 28, 2020, between TriNet Group, Inc. and Michael Peter Harris Murphy.	10-Q	001-36373	10.1	7/27/2020	
10.29*	Second Amended and Restated Employment Agreement, dated July 25, 2020, between TriNet Group, Inc. and Olivier Kohler.	8-K	001-36373	10.2	11/19/2020	
10.30*	Employment Agreement dated August 13, 2020, between TriNet Group, Inc. and Kelly Lee Tuminelli.	10-Q	001-36373	10.1	10/26/2020	
10.31*	Stockholder Agreement, by and between TriNet Group, Inc. and AGI-T, L.P., dated as of December 21, 2016	8-K	001-36373	10.1	12/22/2016	
21.1	List of Subsidiaries.					X
23.1	Consent of Deloitte & Touche LLP, independent registered public accounting firm.					X
24.1	Power of Attorney (included on the signature page of this report).					
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1**	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document.					X
101.SCHCAL	Inline XBRL Taxonomy Extension Schema Calculation Linkbase Document.					X
101.CALDEF	Inline XBRL Taxonomy Extension Calculation Definition Linkbase Document.					X
101.DEFLAB	Inline XBRL Taxonomy Extension Definition Label Linkbase Document.					X
101.LABPRE	Inline XBRL Taxonomy Extension Label Presentation Linkbase Document.					X
101.PRE104	XBRL Taxonomy Extension Presentation Linkbase Document. Cover Page Interactive Data File (embedded with the Inline XBRL document).					X

Exhibit No.	Description of Exhibit	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing	

* Constitutes a management contract or compensatory plan or arrangement.

** Document has been furnished, is deemed not filed and is not to be incorporated by reference into any of the Company's filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, irrespective of any general incorporation language contained in any such filing.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Dublin, State of California, on the day of 16th February, 2021.

TRINET GROUP, INC.

Date: February 16, 2021	By:	/s/ Burton M. Goldfield
		Burton M. Goldfield Chief Executive Officer
Date: February 16, 2021	By:	/s/ Kelly Tuminelli
		Kelly Tuminelli Chief Financial Officer

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Burton M. Goldfield, Kelly Tuminelli and Samantha Wellington, and each of them, as his or her true and lawful attorneys-in-fact and agents, each with the full power of substitution, for him or her and in his or her name, place or stead, in any and all capacities, to sign any amendments to this report and to file the same, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that any of said attorneys-in-fact and agents, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Burton M. Goldfield Burton M. Goldfield	Chief Executive Officer (*principal executive officer*)	February 16, 2021
/s/ Kelly Tuminelli Kelly Tuminelli	Chief Financial Officer (*principal financial officer and principal accounting officer*)	February 16, 2021
/s/ Michael J. Angelakis Michael J. Angelakis	Director	February 16, 2021
/s/ Katherine August-deWilde Katherine August-deWilde	Director	February 16, 2021
/s/ Martin Babinec Martin Babinec	Director	February 16, 2021
/s/ H. Raymond Bingham H. Raymond Bingham	Director	February 16, 2021
/s/ Paul Chamberlain Paul Chamberlain	Director	February 16, 2021
/s/ Shawn Guertin Shawn Guertin	Director	February 16, 2021
/s/ David C. Hodgson David C. Hodgson	Director	February 16, 2021
/s/ Dr. Jacqueline Kosecoff Dr. Jacqueline Kosecoff	Director	February 16, 2021
/s/ Wayne B. Lowell Wayne B. Lowell	Director	February 16, 2021
/s/ Maria Contreras-Sweet Maria Contreras-Sweet	Director	February 16, 2021

Exhibit 21.1

SUBSIDIARIES OF TRINET GROUP, INC.

Company Name	Incorporation Jurisdiction
210 Park Avenue Holding, Inc.	Oklahoma
Ambrose Advisory Services, LLC	New York
App7, Inc.	Delaware
Archimedes Risk Solutions, Ltd.	Bermuda
Gevity Insurance Agency, Inc.	Delaware
Little Bird HR Inc.	Delaware
SOI Employee Benefit Plan Trust	North Carolina
SOI Holdings, Inc.	Delaware
SOI, Inc.	Delaware
TriNet Employee Benefit Insurance Trust	California
TriNet Employer Group Canada, Inc.	Ontario
TriNet Holdings A, Inc.	Delaware
TriNet Holdings B, Inc.	Delaware
TriNet HR I, Inc.	Oklahoma
TriNet HR II, Inc.	Delaware
TriNet HR II Holdings, Inc.	Delaware
TriNet HR II-A, Inc.	Florida
TriNet HR III, Inc.	California
TriNet HR III-A, Inc.	Delaware
TriNet HR III-B, Inc.	Delaware
TriNet HR IV, LLC	New York
TriNet HR XI, Inc.	Delaware
TriNet Insurance Brokerage, Inc.	Delaware
TriNet Insurance Services, Inc.	California
TriNet Professional Employer Services, Inc.	Delaware
TriNet USA, Inc.	Delaware

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statement No. 333-238315 on Form S-3 and Registration Statement Nos. 333-194880, 333-203134, 333-210558, 333-216403, 333-223312, 333-231393, 333-231396 and 333-236456 on Form S-8 of our reports dated February 16, 2021, relating to the financial statements of TriNet Group, Inc., and the effectiveness of TriNet Group, Inc.'s internal control over financial reporting, appearing in this Annual Report on Form 10-K for the year ended December 31, 2020.

/s/ DELOITTE & TOUCHE LLP

San Francisco, California

February 16, 2021

Exhibit 31.1

CERTIFICATION BY PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Burton M. Goldfield, certify that:

1. I have reviewed this Annual Report on Form 10-K of TriNet Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 16, 2021

/s/ Burton M. Goldfield

Burton M. Goldfield
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION BY PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kelly Tuminelli, certify that:

1. I have reviewed this Annual Report on Form 10-K of TriNet Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 16, 2021

/s/ Kelly Tuminelli
Kelly Tuminelli
Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of TriNet Group, Inc., a Delaware corporation (the “Company”), on Form 10-K for the year ending December 31, 2020 as filed with the U.S. Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company does hereby certify, pursuant to 18 U.S.C. § 1350 (section 906 of the Sarbanes-Oxley Act of 2002), that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

The foregoing certification (i) is given to such officers’ knowledge, based upon such officers’ investigation as such officers reasonably deem appropriate; and (ii) is being furnished solely pursuant to 18 U.S.C. § 1350 (section 906 of the Sarbanes-Oxley Act of 2002) and is not being filed as part of the Report or as a separate disclosure document and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.

Date:	February 16, 2021	/s/ Burton M. Goldfield Burton M. Goldfield Chief Executive Officer
Date:	February 16, 2021	/s/ Kelly Tuminelli Kelly Tuminelli Chief Financial Officer