

The only newsletter dedicated to helping payroll professionals make the most out of paycards

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2011 PROMISES TO BE A BIG YEAR FOR PAYROLL CARDS



BY CATHY BEYDA

The legal landscape surrounding the use of payroll cards has changed significantly in the past few years. Until 2004, payroll cards were not mentioned in any of the state labor codes. Today, a total of nineteen states have updated their wage payment statutes and/or regulations to specifically address this beneficial method of wage payment. The wage and hour enforcement agencies in the vast majority of the remaining states have addressed the use of payroll cards on an informal basis.

State law recognition of payroll cards has proceeded at a relatively rapid pace when compared to other issues in need of legislative reform. In light of the growing acceptance and use of electronic payment methods generally, and given the results of the 2010 midterm elections, there is every reason to believe that this trend will continue and

even increase in 2011. In fact, we believe that 2011 will be a historic year for payroll cards.

Recent State Law Developments

Legislation relating to payroll cards was introduced in at least six states in 2010. Bills were enacted in Tennessee and Vermont, and a third bill is sitting on the governor's desk in Michigan. In addition, the Utah Labor Commission adopted regulations allowing employers to use payroll cards so long as employees are provided with at least one means of withdrawing their full wages each pay period without cost. The Montana Department of Labor also posted guidelines on its website setting forth the conditions under which payroll cards may be used to compensate employees in the state. Prior to 2010, the Department did not recognize the use of payroll cards as a lawful method of wage payment.

Widespread Acceptance of Electronic Payment Methods

Society is quickly embracing and moving towards electronic payment methods. Indeed, the overall number of electronic payment transactions in the United States has exceeded the number of check payments since 2003. This, no doubt, is due to the fact that electronic payments generally are more secure, more convenient and less costly than paper checks. Some experts are even beginning to question whether paper checks are becoming obsolete.

The federal, state and local governments all are actively involved in the movement towards electronic payments. An increasing number of government agencies are using direct deposit and prepaid debit cards to disburse government benefits, and many are turning to electronic payment

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methods to compensate their own employees. Oregon and Nebraska are two states that use direct deposit and payroll cards to pay state employees, and Georgia recently announced that it will be paying all of its employees by direct deposit in the near future unless an employee is granted an exemption. On the federal level, the United States Treasury Department announced that in 2011 recipients of a variety of federal benefits, including Social Security, Supplemental Security Income and Veterans benefits, will be given the choice of receiving their benefits through direct deposit or on a prepaid debit card.

Shift in Political Power

According to the National Conference of State Legislatures, Republicans

will be in control of more state legislative seats as a result of the 2010 midterm elections than they have been since 1928. As a result, we are likely to see more "pro business" legislation in 2011 and fewer restrictions placed on how employers manage their businesses. In the context of payroll cards, this may very well mean that more legislators who address the issue will allow payroll cards while imposing fewer restrictions on their use.

What to Expect in 2011

We anticipate that legislation relating to payroll cards will be introduced in several states in 2011. Already, the New York Department of Labor has indicated that it may introduce legislation addressing electronic wage payment methods in 2011, and has invited interested parties to meet and discuss a variety of issues relating

specifically to payroll cards. Legislation relating to payroll cards was introduced in Connecticut in 2010, but was not enacted. However, similar legislation is likely to be introduced in the state again in 2011.

California is another state where we would like to see legislation addressing payroll cards. The state recently enacted legislation permitting the use of prepaid debit cards to distribute unemployment compensation and state disability benefits. This may very well signal a willingness on the part of the California legislature to address the use of prepaid debit cards in other contexts as well, including payroll. Georgia, New Mexico and Rhode Island are additional states where legislative reform would be welcomed.

Conclusion

The use and acceptance of payroll cards has increased significantly in the past several years. The continued reliance on electronic payment methods along with the shift to a more business friendly political environment, both suggest that 2011 will be a very promising year for payroll cards. We will keep you informed as developments take place.

Cathy Beyda is an employment law attorney with Paul, Hastings, Janofsky & Walker LLP out of their Palo Alto office. She regularly counsels national employers on electronic wage payment issues, and is the chair of the American Payroll Association's Government Affairs Task Force subcommittee on payroll cards. Ms. Beyda can be reached at cathybeyda@paulhastings.com. ■



GLOBAL CASH CARD OFFERS FREE TWO-WAY TEXTING

Did you know that Global Cash Card offers GCC Two-Way Text, a free two-way text messaging service that delivers account updates to mobile devices on demand, nationwide?

GCC Two-Way Text allows cardholders the ability to manage their account by viewing recent account activity: purchases, payment amounts, loads and debits.

Once set up in the program, cardholders simply text a short command – such as BAL (for balance) – to 28547. Within seconds, they will receive a text message with the account information requested. It makes accessing their accounts as simple and easy as text messaging friends and family.

"With mobile becoming a 'must have' channel for many industries, offering quick and easy access to your paycard account is an excellent benefit," said Joseph F. Purcell, President and CEO of Global Cash Card. "We want to provide our cardholders with every convenience to make their lives easier."

GCC Two-Way Text was developed with a customer's security in mind. Global Cash Card uses secure connections, encrypted data transfers, and other industry best practices to provide the most secure access possible.

GCC Two-Way Text is available to Global Cash Card cardholders with any U.S. Domestic mobile provider supporting two-way text messaging. Messaging & Data Rates May Apply. Global Cash Card does not charge a fee for this service, however, refer to your plan with your mobile carrier for more information. ■

To enroll or to learn more visit www.globalcashcard.com/mobile

HOW TO INCREASE EMPLOYEE PARTICIPATION IN A PAYCARD PROGRAM

BY LISA PONCSAK

DIRECTOR OF FIELD SUPPORT

There are many ways employers can increase employee participation in their paycard program. It all starts with education, training and implementation, and a great paycard partner that will assist companies in reaching their goals. The following lists several ways that have been very effective for numerous Global Cash Card clients:

Mandating electronic payroll

- Each state is different in their requirements, but several states allow employers to mandate electronic payroll. In these states, employers simply need to offer a choice to their employees, either direct deposit into a traditional bank account or direct deposit into a paycard account. The best way is to communicate with employees so they can make the best decision for themselves. We suggest giving the employees a deadline to set up direct deposit to their bank account or to a paycard.

Educate on the benefits of a paycard

- Many employees who have minimal experience using a bank account do not understand how a paycard works and may be apprehensive to make a change. Offering education and training on how to effectively use a paycard gives the employee an opportunity to better understand how to maximize the benefits of a paycard solution. If an employee understands how they can use the paycards efficiently, they will have a positive experience with their paycard and enjoy the many

benefits and services that Global Cash Card can offer.

Show employee cost savings

- Employees are cashing their paycheck somewhere, and national statistics show an employee averages \$8.00 per pay period to cash their check. Additionally, employees who live off cash spend gas money driving around paying bills, purchase money orders to pay bills, and also pay high costs to send money via wire transfer to help support other family members that are out of state or out of the country. When an employer can show employees the huge benefits and cost savings to them, many employees will be excited at the opportunity to have a new benefit offered to them.

Stress natural disasters

- We have recently witnessed many unfortunate situations that have caused employees not to receive their paycheck on time. Whether it's a fire, tornado, hurricane, mud slide, blizzard, flood, or any uncontrollable situation, any time an employee does not receive their paycheck on time can cause hardships and unhappiness. Offering a paperless solution can aide in employees receiving their pay efficiently in a time of crisis.

Incentive programs

- In states where it is not possible to mandate electronic pay participation, employers may have a challenging time encouraging employees to participate. Many employers offer gift card or prize drawings to employees who sign up for electronic pay to jump-start the participation. Once employees

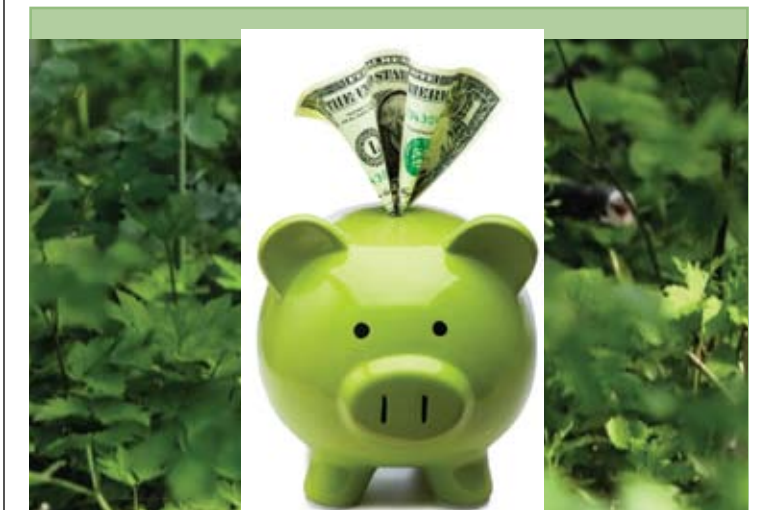


have elected the paycard and experience the benefits, they love it and are happy to have made the change.

Convenience of electronic pay

- Show employees it's more convenient to receive their payroll on a paycard. As a way to be cost effective, companies stop offering paychecks at the workplace, stop overnighting paychecks

to their other locations, and start mailing the paychecks to employees' home addresses. This saves time and costs from handing out paychecks and promotes paycard and direct deposit usage because employees don't want to wait for the mail. There are many ways to increase participation in your paycard program. Let Global Cash Card show you how. ■



GO GREEN SAVE GREEN

Paycards help your company both reduce pollution and save money. For example, if you have 1,000 employees and you pay them twice a month, in one year you will eliminate 1,400 gallons of waste water and 1,440 pounds of green house gasses. Plus, according to industry averages, you will save close to \$115,000 in payroll processing and paper statements. That's a lot of GREEN!



JUST OUR OPINION

PAYCARDS SHOULD BE PART OF YOUR DISASTER PLANNING

Imagine a disaster of significant proportions – like a hurricane, flood, blizzard or an earthquake. Seems like we’ve had a few of those lately. Then imagine the difficulty of getting paper paychecks or relief checks to your employees. Now imagine that they are paid with paycards and the payments are made electronically. Even though some electronic coverage might be temporarily disrupted in a major disaster, causing some delays in processing payments on paycards, it’s nothing compared to the nightmare of trying to get paper checks to your employees and trying to get them cashed.

So, it’s just our opinion, but we think paycards should be a critical part of your disaster planning.



A CUP OF JOE

PAYCARDS COME OF AGE

A few years ago, paycards were a hot new subject and the early adopters were starting to try it out. Within the last two years, while still being a fairly new technology, a lot of companies started jumping on the proverbial bandwagon to enjoy the significant benefits. Now, it’s no longer a bandwagon, but a veritable parade of companies that are switching over from paper paychecks to paycards. For a great many CFO’s it’s no longer a matter of if, but when – and the when is now.

According to a study by the Aite Group, in 2009, the dollar value loaded onto major brand name paycards was \$18.9 billion, accounting for over 24% of all types of prepaid cards that carried names such as Visa, MasterCard or Discover.

And this growth is expected to have a compounded rate of 29% annually resulting in an estimated \$60 billion in loads in 2014.

So, you have to ask yourself, “Why?” Actually the answer is pretty simple – savings and security. For employers, they save a tremendous amount of money, some in the millions of dollars, by not having to print and mail paychecks. And when they use Global Cash Card, there is no charge for the posting of paystubs or W2s. For employees, they don’t have to pay exorbitant check cashing fees, they have instant access to their funds, and their money is much safer than cash.

There’s one big difference with this parade. It’s not going to end and you don’t have to worry about it passing you by. However, the sooner you join in, the sooner your company and employees will start receiving all the benefits. ■

Disclaimer

The information provided in this newsletter should not be relied upon as legal advice or as a definitive statement of the law in any jurisdiction. For such advice, the reader should consult legal counsel.

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