

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

ISSUE 10. PUBLISHED QUARTERLY

BY GLOBAL CASH CARD

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INDUSTRY MUST SET RECORD STRAIGHT ON PAYROLL CARDS

BY CATHY S. BEYDA

In 1924, Time magazine published an article exploring whether it would make sense for employers to pay their employees by check rather than in cash. The magazine reported that employees viewed the idea with disfavor, fearing check fraud, loss of confidentiality and inconvenience (specifically, that they would be forced to waste time cashing their checks during banking hours).

Despite the initial objections, paper paychecks soon became the standard method of wage payment.

Several decades later, suggestions that direct deposit may be a more efficient method of wage payment were again met with opposition. In 1974, the University of Michigan Journal of Law Reform published an article examining the surprisingly slow transition away from paper paychecks

to direct deposit despite the increased security and convenience of the latter payment option. The author observed:

The legal restrictions on wage payment methods, which seem so out of date in the 1970s, may take on new vigor as opponents of new funds transfer systems arise and breathe new life into the statutes. Union sentiment may find in the introduction of new wage payment systems still another example of management callousness toward the needs of working people.

The author observed that employee resistance to direct deposit was based, at least in part, on the "illusion" that cash in the hand was "real money" while the credit of wages to a bank account was not. Employees also feared that they would lose individual freedom if employers were permitted to prescribe direct deposit.



CONTINUED INSIDE

History Repeats Itself (Again)

Today, three out of four employees who have access to direct deposit sign up for it. According to NACHA, 97 percent of these employees are very satisfied with direct deposit. Unfortunately, however, direct deposit is not an option for many of the more than 25 percent of U.S. households that are either unbanked or underbanked. Network branded payroll cards, the latest wage payment innovation, bring the benefits of electronic wage payment to these employees.

Like past wage payment innovations, network branded payroll cards have been met with skepticism and, in some instances, hostility. More than a decade after network branded payroll cards were introduced, we continue to hear claims that the cards are unregulated, that employers offer the cards to the detriment of their workers and that it's inconvenient and costly for employees to access cash off their payroll cards.



Reporters often seek sensational headlines, without regard for objectivity or truth, while claiming that employers and program managers are being deceptive. After all, a report that a minimum wage earner paid a fee to access his or her wages attracts more attention than a report that an employee was able to access cash off his or her payroll card at tens of thousands of branch locations nationwide with no cost, in addition to the other methods of free cash access made available to employees by the program manager. As a result, there is a perception that payroll cards carry significant hidden fees and, therefore, deprive employees of full and free access to their wages.

Employees without bank accounts, who are likely to be the primary users of payroll cards, often rely on expensive check cashing services simply to access their wages. They then incur additional expense when purchasing money orders to

with replacing lost or stolen paychecks. Reliable delivery of wages not only benefits workers, but also helps employers comply with strict state law requirements relating to the timely payment of wages.

Educate on Optimal Card Usage

Industry also needs to provide employers and their employees with the information and tools they need to use their payroll cards wisely. This means transparent disclosure of the program's terms and conditions, including all fees, and clear notice of the protections afforded to cardholders. Transparency



Call to Action: Education Regarding the Benefits of Payroll Card

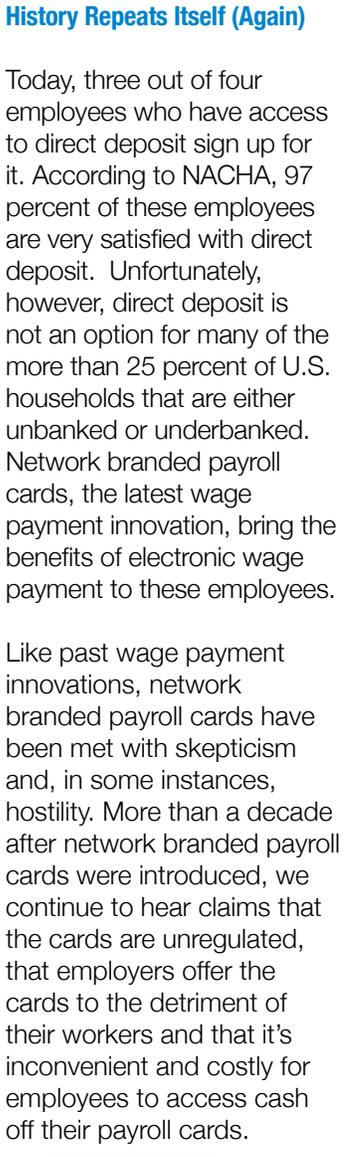
The prepaid industry must seize on the recent media frenzy as an opportunity to inform and educate the public, government officials and other policymakers. We, as an industry, are very familiar with the benefits of payroll cards, both to employers and to their employees. We need to educate others to ensure that they know what we know; namely, that electronic wage payment (direct deposit and payroll cards) is safer, more secure and less expensive than paper paychecks.

pay their bills. Payroll cards also facilitate the reliable delivery of wages, even when employees are away from the workplace and during severe weather conditions, and provide underserved workers with a pathway into the financial mainstream.

Employers realize significant cost saving and streamline their payroll operations using electronic payment methods. Direct deposit and payroll cards reduce, and even eliminate, the cost of printing and distributing paper paychecks as well as the costs associated

is critical to our ability to demonstrate to the public and to policymakers that payroll cards are a safe and convenient way for employees to receive their wages.

In addition, we should make sure that employers who offer payroll cards are aware of certain basic legal principles and best practices, such as Regulation E's prohibition on requiring employees to open an account with a particular financial institution, the importance of full and free access to wages and the need to provide access to account information without



Public Perception: Industry's Biggest Challenge

There has been a great deal of misinformation published in the media recently relating to payroll cards. Unfortunately, media plays a large role in shaping public perception.

GLOBAL CASH CARD TAKES CENTER STAGE AT APA CONGRESS



Once again, Global Cash Card's booth at the APA Congress was the hit of the show. At this year's Congress in Grapevine, Texas, over 2,000 people stopped by to check out how we make paycards easy.

THINKING INSIDE THE BOX

This year, the prize was kept secret in a floating box surrounded by clues. Hundreds of attendees tried to wrap their heads around the 16 somewhat obtuse clues and took their shot at guessing what was inside the box.

FLY GIRL FLY BYE

Vernice "FlyGirl" Armour, America's first African American Female Combat Pilot was a keynote speaker at the Congress and delivered an address entitled "Who Needs a Runway? Take Off From Where You Are!" Vernice explained how to lead teams through the execution of any plan by harnessing the power of a "Breakthrough Mentality." After her inspirational speech, she came by our booth where hundreds of attendees lined up to meet her.

GLOBAL CASH CARD SUPPORTS CHAPTER EXCHANGE

Global Cash Card was proud to support the Chapter Exchange and to sponsor the awards. We were excited to see so many people getting significantly involved with the American Payroll Association at the chapter level. Below is a photo of the Global Cash Card team with the heads of the local APA chapters.



WHEN YOU WISH UPON A CARD

At the 2013 APA congress, Global Cash Card made someone's dream come true. Their grand prize was to fulfill a wish for one lucky person to go anywhere on the globe they desired. What could be more appropriate for Global Cash Card?



At the awards luncheon, Michael Purcell, Executive Vice President and Chief Marketing Officer of Global Cash Card, was joined onstage with Beth Vencill's second grade class from O.C. Taylor Elementary School from Grapevine to help him award the grand prize. They were dressed in costumes from around the world, joined hands and sang "It's a Small World." Can you say "standing ovation"?

The winner was Pat Sathavorn, whose title is Global Payroll Manager for InterContinental Hotels Group. Pat's wish was to go to Thailand! So, off she went on a trip of a lifetime.

Congrats to Pat on her trip to **Thailand!**



Pat enjoyed the sights, sounds, and great food in Thailand. She also got to relax a little too, along the way. ■



A CUP OF JOE GET INVOLVED

Each year, at the annual Congress of the American Payroll Association, we have the opportunity to give back to the industry that we are proud to be part of. Whether through educational grants, support of the Chapter Exchange, or simply supporting the efforts of the APA to bring this group of professionals together, we are honored to be part of the event.

We are especially pleased with the individual efforts of our employees who take an active role in furthering the professionalism of the great many payroll personnel

that are involved with this excellent organization. They work behind the scenes at local chapters across the country to help make the payroll process easier.

To those companies that are on the fringes of involvement with the APA, we encourage them to dive in and get involved. It's good for your company, it's good for your employees, and it's good for the industry. It's a noble effort that pays in countless dividends.

Sincerely,
Joseph F. Purcell
President and CEO
Global Cash Card
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cost (e.g., at a minimum, through IVR and/or over the Internet). We should also make sure employers know what these principles mean.

For example, even in states that allow employers to eliminate paper paychecks, employers who offer payroll cards must provide their employees with an alternate payment option, such as direct deposit. Employers should also be advised of the importance of ensuring that their employees know how to cash out their wages each pay period without cost, even though most employees will choose not to use their cards in this manner.

This does not mean that financial institutions or program administrators should be held responsible for labor law compliance—this is the responsibility of the employer. But program administrators and financial institutions that offer payroll cards should make sure that these basic principles are understood by employers. This will help ensure positive programs that reflect positively on the industry as a whole.

History has shown that changes to wage payment methods have been met first with skepticism, then with hostility and eventually with

acceptance. Unfortunately, the public perception of payroll cards has taken a hit recently due to one-sided and uninformed media attacks. Adherence to the basic principles discussed above will help earn public trust in this truly beneficial payment option and enable a smooth transition to public acceptance of payroll cards.



Cathy S. Beyda is of counsel in Paul Hastings' corporate practice. She has counseled the nation's largest payment brand, financial institutions and employers on strategies for influencing legal developments and removing barriers to electronic wage payment, and on the use of prepaid cards to disburse workers' compensation and other benefits. Beyda is chairperson of the American Payroll Association's Government Affairs Task Force on Payroll Cards and the association's Paycard User Group. She may be reached at cathybeyda@paulhastings.com. ■

SHOWCASE:

Pete Keleher Vice President of Application Development

Pete has a fifteen-plus year record of exemplary-rated performance leading software development in the professional services sector. Pete joined Global Cash Card in 2004 and was essential in the initial development of the paycard software platform. Currently, Pete's overall responsibility is for the design, architecture, and implementation of the proprietary software that is the cornerstone of Global Cash Card's payroll services. Pete continues to lead the development team and oversee



overall product design, new development and client implementation. Prior to Global Cash Card, Pete worked at Booz Allen Hamilton, Digitaria Interactive and Sprint. Peter holds a Bachelor of Business Administration from University of San Diego. ■

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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