

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

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EMPLOYER OR EMPLOYEE – WHO SHOULD BE RESPONSIBLE FOR PROVIDING PAYROLL CARDS?



BY CATHY BEYDA

Employers and employees alike are increasingly turning to reloadable prepaid cards as a form of wage payment. This is a result of the numerous benefits and cost-savings that accrue to both parties from the use of electronic wage payment methods over paper paychecks or cash, and to the fact that many employees do not have access to a bank account and, therefore, cannot participate in traditional direct deposit.

Not all reloadable prepaid cards are the same, however. There are significant differences between payroll cards distributed through

the employer channel and employee-purchased general purpose reloadable (“GPR”) cards. A review of these differences reveals that, while both types of cards serve a purpose, employer-provided payroll cards often are a superior solution for both the employer and the employee.



What are Payroll Cards and GPR Cards?

GPR cards are a type of prepaid card that are available for purchase by consumers at numerous retail locations or online.

They are typically used to make purchases, pay bills and/or access funds at an ATM. Additional funds can be loaded onto a GPR card and, as such, GPR cards often are marketed as a vehicle for receiving direct deposit, particularly for employees without bank accounts or with limited access to traditional banking services. The employee simply signs up for direct deposit by providing his or her employer the card account number, and the employer deposits wages into the card account. Often the employer has no knowledge that the funds are being deposited into a prepaid card account rather than the employee’s personal bank account.

Payroll cards are a type of prepaid card that is distributed by or on behalf of an employer, and to which electronic fund transfers of the employee’s wages, salary or other compensation is made on a recurring basis.

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The employer enters into an agreement with a payroll card provider and negotiates the terms of the program. As such, the employer has the ability to select the program that is most favorable to its employees and is consistent with federal and state wage and hour laws.

Payroll Cards Are Highly Regulated and Carry Significant Consumer Protections

The state wage payment statutes and regulations in 20 states expressly permit the use of employer-provided payroll cards as a method of wage payment. Moreover, regulators in the vast majority of the remaining states have issued informal guidelines approving their use. These statutory, regulatory and enforcement provisions require that certain consumer protections be in place before employers may pay their employees using payroll cards. Most commonly, employees must be provided with at least one means of accessing their full wages each pay period without discount; the terms and conditions of the payroll card program, including potential fees, must be clearly and

conspicuously disclosed to employees; and employers must comply with applicable state paystub requirements.

Payroll cards also are subject to Federal Reserve Regulation E, which provides a number of additional consumer protections to cardholders. These protections include a variety of notices and disclosures, error resolution procedures, limitation on consumer liability for unauthorized transfers and a prohibition on fees for overdraft protection in the absence of employee opt-in.

The Status of GPR Cards as a Vehicle for Wage Payment is Unclear

None of the state wage payment statutes or regulations expressly address the use of GPR cards as a method of wage payment. The payroll card provisions in some states may be broad enough to encompass their use, however. GPR cards that do not constitute payroll cards under the applicable state wage payment statutes and regulations still must satisfy the requirements for another permissible method of wage payment such as direct

deposit. Although a thorough analysis of whether payment on a GPR card constitutes direct deposit is beyond the scope of this article, it is important to note that there are at least a few states that require direct deposit to be to an employee's checking or savings account, or to a depository account. Use of GPR cards as a form of direct deposit in these states is questionable.

Regardless of whether loading wages onto a GPR card constitutes direct deposit, GPR cards carry fewer consumer protections than payroll cards. Unlike payroll cards, the employer is not involved in negotiating the terms and conditions of the GPR account. The employee purchases the card directly from a retailer and is subject to predefined terms and conditions. These terms and conditions may include fees for loading funds onto the card, fees for accessing cash off the card, overdraft fees and similar fees that are prohibited when wages are paid using a payroll card. Moreover, GPR cards may not carry the same protections when they are lost or stolen as do

payroll cards. In addition, the consumer protections of Regulation E currently do not apply to GPR cards.

Conclusion

GPR cards provide a solution for underserved employees in the absence of employer-issued payroll cards. Even then, there is a question in many states as to whether the loading of wages onto a GPR constitutes a permissible method of direct deposit. Companies wishing to protect their employees and ensure compliance with state law requirements should distribute payroll cards through the employer channel. Doing so provides a tremendous benefit to their employees.

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. ■

MAJOR POWER OUTAGE DOES NOT AFFECT GLOBAL CASH CARD CARDHOLDERS AND CUSTOMERS

Global Cash Card provided seamless service despite the major power outage that took place on September 8, 2011. The outage cut off electricity to more than 5 million people in California, Arizona and Mexico. San Diego, home of Global Cash Card's primary data center, bore the brunt of the blackout.

In addition to their primary data center, Global Cash Card also maintains a redundant facility with full capacity at another geographic location. Both facilities employ redundant on-site power systems; therefore, in the event of a power failure, power continues without interruption via backup batteries and diesel generators.

The primary data center facility in San Diego continued to provide Global Cash Card services throughout the power



outage and suffered no down time or interruption in service as surrounding San Diego went without power for approximately 12 hours. The backup power systems functioned flawlessly and there was no need to rely upon the redundant facility.

“As a leader in the paycard industry, we understand how critical it is to provide 24/7/365 uninterrupted service and support for our customers and cardholders,” said Joseph F. Purcell, President and CEO, Global Cash Card. “Although we test our systems regularly, this real catastrophic event affirmed the strength and reliability of our disaster recovery plan”. ■

GLOBAL CASH CARD MAKES OLYMPIAN APPEARANCE AT 2011 APA CONGRESS



Michael Purcell, Global Cash Card Executive Vice President and Chief Marketing Officer; **Mary Lou Retton**, Olympic Gold Medalist; **Micki Nolan**, Global Cash Card Director of Business Development; **Dan Maddux**, APA Executive Director

Set in the beautiful Salt Lake Valley surrounded by the snow capped Wasatch Mountains and site of the 2002 Winter Olympics, this year's American Payroll Association's Congress featured Global Cash Card as the premier provider of paycards.

Global Cash Card's theme was also their primary message: We Make Paycards Easy. According to Michael Purcell, Executive Vice President and Chief Marketing Officer for Global Cash Card, "Our message truly resonated with the attendees. The traffic at our booth was non-stop which shows that people are not only very interested in paycard solutions but want those solutions to be easy."

2011 American Payroll Association's Virtual Congress

By being the only premium sponsor of APA's Virtual Congress, Global Cash Card helped those members who could not attend congress receive the same access to the education and information that is vital to their growth in the payroll industry. According to Lisa Poncsak, Director of Field Support, "We were excited to offer our webinar on Maximizing Participation In Paycard Programs, and are hopeful that it will assist those companies who are looking to better understand how effective a Global Cash Card paycard solution can be." Global Cash Card was the only vendor that conducted such a webinar and it turned out to be a great success with over 1,350 APA members participating. ■

NEWS FROM GLOBAL CASH CARD:

GLOBAL CASH CARD OFFERS POPULAR WEBINAR

GOING GREEN:

The Simple and Easy Way of Implementing a 100% Paperless Paycard Program

Eliminating paper not only simplifies the payroll process, but also increases your company's bottom line. In this webinar, you will learn how to go green with a 100% paperless paycard program and discover other techniques to reduce your carbon footprint.

- Encourage employees to contribute to the paperless initiative from hire date
- Reduce costs associated with printing pay stubs, checks and W-2's
- Ideas to increase participation in voluntary states
- Create a system which makes pay and information easily accessible in times of an emergency or office closure
- Cost and energy savings calculator ■



WALKING
WITH ANTHONY

CHARITY GOLF TOURNAMENT HITS A HOLE-IN-ONE

Global Cash Card held its First Annual Golf Tournament on July 14th, 2011 at the Pelican Hill Resort in Newport Beach, CA. Golfers tee'd off at 11 am to play a round of 18-holes under clear blue skies with breathtaking views of the Pacific Ocean.

But the day wasn't just about golf and mingling with colleagues. It was in support of Global Cash Card's premiere charity, The Walking With Anthony Foundation.

The Walking With Anthony Foundation is a Beverly Hills-based non-profit foundation whose mission is to forever



change the recovery outcome of spinal cord injury. In addition to educating the public to raise awareness of the impact of spinal cord injury, The Walking With Anthony Foundation raises funds to expand rehabilitation centers and support research relating to spinal cord injury. Most importantly, the charity is dedicated to providing financial assistance to spinal cord injury victims that do not have the funds to pay for this expensive recovery so that many may have the opportunity to get stronger, live healthier, and learn to walk again.

Global Cash Card is committed to supporting The Walking With Anthony Foundation and other charities that improve the quality of life in our community.

Check out the Global Cash Card Facebook Page to see fantastic photos of the day. For more information on how you can support The Walking With Anthony Foundation, visit www.walkingwithanthony.org. ■

GO GREEN

GLOBAL CASH CARD'S NEW SAVINGS CALCULATOR DETAILS HOW COMPANIES AND CARDHOLDERS CAN GET AN INSTANT RAI\$E

Global Cash Card recently released a premier savings calculator empowering employers and potential cardholders to understand the value of the Global Cash Card product. The new addition to the Global Cash Card website enables employers to calculate an in-depth analysis of the cost savings associated with implementing Global's paycard program. The calculator encourages employers to conduct a bottoms-up analysis by inserting client-specific expenses associated with creating and distributing paper checks, paystubs and W-2's.

Not only can companies calculate their cost savings, but they can also understand exactly how much their carbon footprint would be decreased by "Going Green" with Global's completely paperless paycard solution. In addition, an employee savings calculator was created to help new and potential cardholders realize the positive impact that a Global Cash Card paycard will have on their wallet.

To learn how a Global Cash Card paycard can save you some "Green" in more ways than one, please visit our website at: www.globalcashcard.com/calc or contact us at (888) 220-4477 Ext. 202. ■



A CUP OF JOE



no room for error. The system must be 100% secure. Employing multiple layers of security is an idea Global Cash Card considers mandatory, and we continually evaluate, enhance, and redesign security mechanisms and processes to provide the greatest level of protection for the company and the cardholders.

"JUST HOW IMPORTANT IS SECURITY?"

When a company contracts with a paycard provider, they are entrusting the provider with one of their most critical assets, and one of the employee/cardholder's assets – Financial and Personal Identity Information. The worst case scenario is loss of data, breach, or compromise of that paycard company. To ensure that never happens, security must be integrated into every aspect of operations and engineering. There is

As a Level 1 PCI/DSS compliant Certified Provider, Global Cash Card actually exceeds the security standards set by VISA and MasterCard in many areas. Global Cash Card's multi-tiered approach to information security lets customers rest easy with the knowledge that automatic protection systems, data analysis and expert staff are vigilantly monitoring, protecting and auditing systems and processes around the clock.

*Joseph F. Purcell
Chief Executive Officer,
President
Global Cash Card* ■

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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