What Problem Are We Trying to Solve?
- Eliminate paper checks
- Increase security
- Increase convenience for employees
  - e.g., paper checks were delivered to units on 12/24/14 and 12/31/14
- Reduce costs

Options Identified
- Encourage all employees to use direct deposit (cannot legally require)
- Adding payroll debit card option (PayCard)
  - Change in Michigan law permits requiring a debit card option when employees choose not to have direct deposit
- Others?

Guiding Principles
- Utilize best practices
- Identify and comply with legal constraints
- Address known and anticipated cyber security issues
- Improve employee convenience
- Generate net cost savings

Research and Analysis Led to Proposal for Debit Card Option
Comprehensive Banking Services RFP
- Six banking service groups
- 15 banks responded to RFP
- Responses independently evaluated by:
  - MSU’s Banking Services Selection Committee, which included PFM (MSU’s external banking services consultant), and faculty
- MSUFCU selected to provide payroll debit card service

What is PayCard?
- It is a reloadable debit card
- PayCards work just like direct deposit of payroll
  - Allows the University to pay faculty, staff, and employees electronically, which is more convenient, more secure, and saves money
  - Payroll and expense reimbursements are loaded directly to employee’s PayCard
- MSU Federal Credit Union will provide all services for a reloadable VISA payroll debit card (PayCard)
Who Will Be Affected?

• **Current Employees:** About 200 (2%) salary employees (150 faculty and 50 staff) and 2,000 hourly employees (14%) are still paid via paper check. They would have to choose either direct deposit or PayCard beginning August 1, 2015, when paper checks will be phased out.

• **New Employees:** New employees after August 1, 2015, will be required to choose either direct deposit or the PayCard.

• **Use for Temporary Workers:** PayCards can also be used to pay temporary and project pay workers.

Why Implement?

• **More Convenient for the Employee:** Deposits automatic, the PayCard can be used to withdraw funds at an ATM or MSUFCU branch. PayCard could also be used as a VISA debit card for “point of sale” transactions.

• **More Secure:** Electronic payment of wages provides increased security over employee wages
  - Alternative to carrying cash
  - Reduces fraud costs related to lost, stolen, or duplicated checks
  - Uninterrupted payments due to storms, natural disasters, or holidays
  - Protection if card is lost or stolen – card will be blocked and stop payments will be issued for charges that are not yours

• **Saves Money:** Each paper check cost about $5.00 more to process. Eliminating these regular checks would fund another faculty member.

Why Implement? (cont’d)

• **Michigan law change:** Allowed mandated electronic payroll payments (direct deposit or debit card)

• **Many Benefits:**
  - Strong local presence of MSUFCU branches throughout greater Lansing makes using the card convenient for employees and students
  - No cost to employees to open a PayCard
  - No transaction fees
  - No cash withdrawal fees if MSUFCU or Co-Op ATMs used
  - $2 fee per replacement card
  - No cost to the University

Questions?

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