

Using Pre-paid and Payroll Cards to Reduce Your Costs

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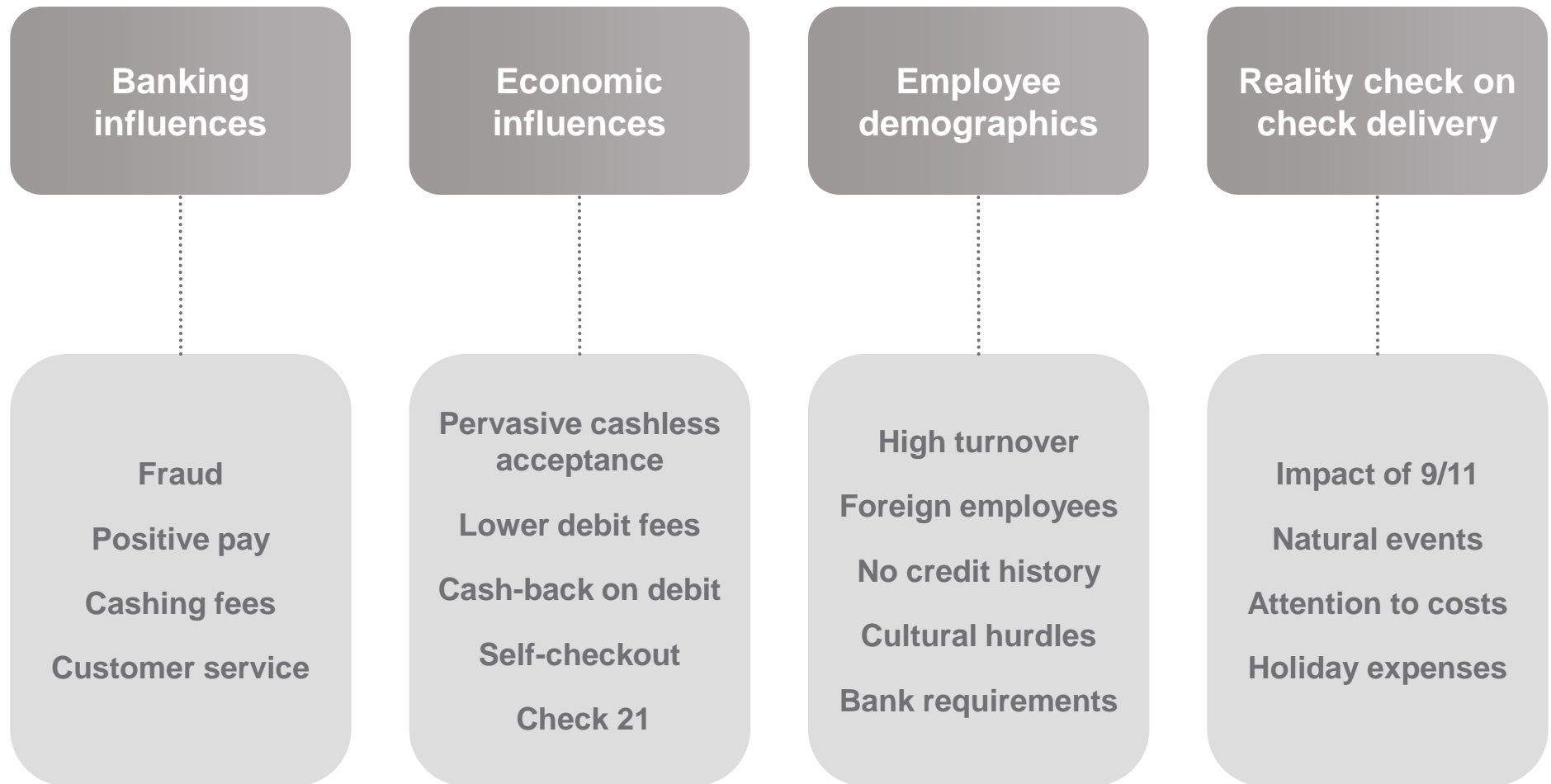
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Today's Presentation

Businesses and financial services companies are rapidly embracing a paperless payment environment with electronic funds transfers and paycards. The benefits of accepting electronic disbursements are clear: eliminate costs associated with printing and distributing checks; impose fewer costs on recipients; and provide improved safety and security. One of the fastest growing forms of electronic funds disbursement is through “open loop” prepaid payment cards — also known as network-branded prepaid cards or general purpose prepaid cards — which work much like conventional debit cards. This type of disbursement instrument enables recipients to access their money wherever credit and debit cards are accepted, without the need for a bank account — an important advantage over electronic direct deposits, which require recipients to have a banking relationship.

- People's historic perceptions of financial institutions and payroll processes are in a state of rapid evolution
- Businesses must embrace new ways and technologies to distribute funds while maintaining operational efficiency and accountability

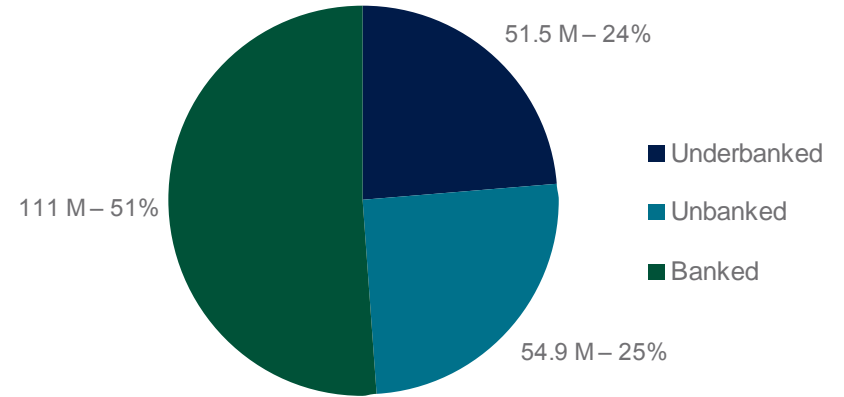
Company Payroll Operations Are Rapidly Evolving



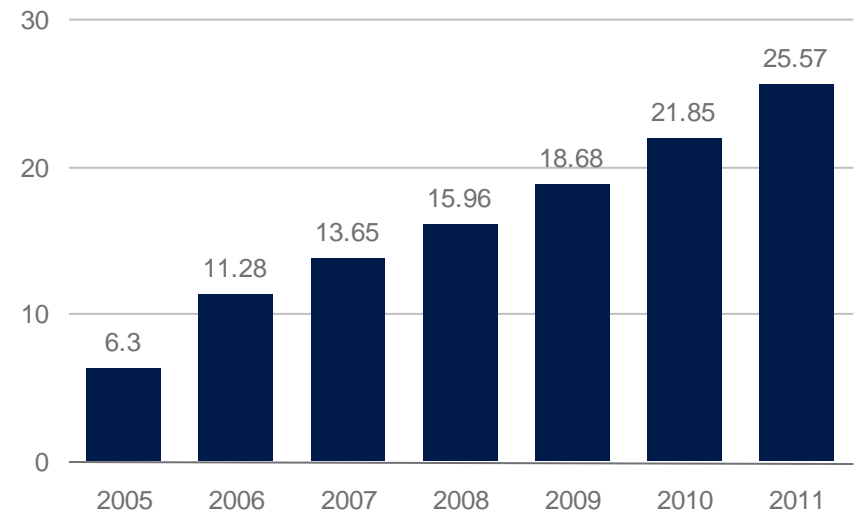
Large “Underbanked” Market Looking For Alternatives

- 25 - 35 million (17%-23%) un-banked Americans – *Pew Research Center*
- Spends \$9 billion annually on check-cashing fees – *Brookings Institute*
- Spends \$40/month on check cashing, money order and transfer fees – *McKinsey Quarterly*
- A person taking a payday loan for \$300 ends up paying \$800 – *Non-Profit Center for Responsible Lending*

Underbanked Percentage of U.S. Adult Population ⁽¹⁾



Payroll Card Load Forecast (in Billions \$ USD) ⁽²⁾



Employer Challenges Driven by Traditional Payroll Processes

- The approximate cost to process a payroll check is \$2.00 – *U.S. Comptroller of the Currency*
- 4 million payroll checks are lost or stolen each year – *American Payroll Association*
- Industry studies indicate that employees can spend the equivalent of three workdays each year traveling to a bank or check cashier – *U.S. Cardsource*
- Employers producing 10,000 payroll checks/advices per month can save 7,000 pounds of paper, 65,000 gallons of wastewater, 2,000 gallons of gasoline and nearly 1,000 trees annually – *payitgreen.org*

With Change Comes Opportunity

Businesses are learning that there's a better way to :

- Provide simple & universal payment availability to all employees
- Transfer wages more securely
- Leverage the pervasive acceptance of debit cards
- Service “unbanked” employees
- Reduce operational costs



Electronic disbursements through paycards: a flexible and cost effective solution to the evolving environment

Open Loop Paycards

- Debit cards linked to a bank account established by the paycard provider
- Businesses direct-deposit employee pay to the paycard bank account
- Employees have immediate access to funds

\$120.2B
2009 branded prepaid card
market opportunity ⁽¹⁾



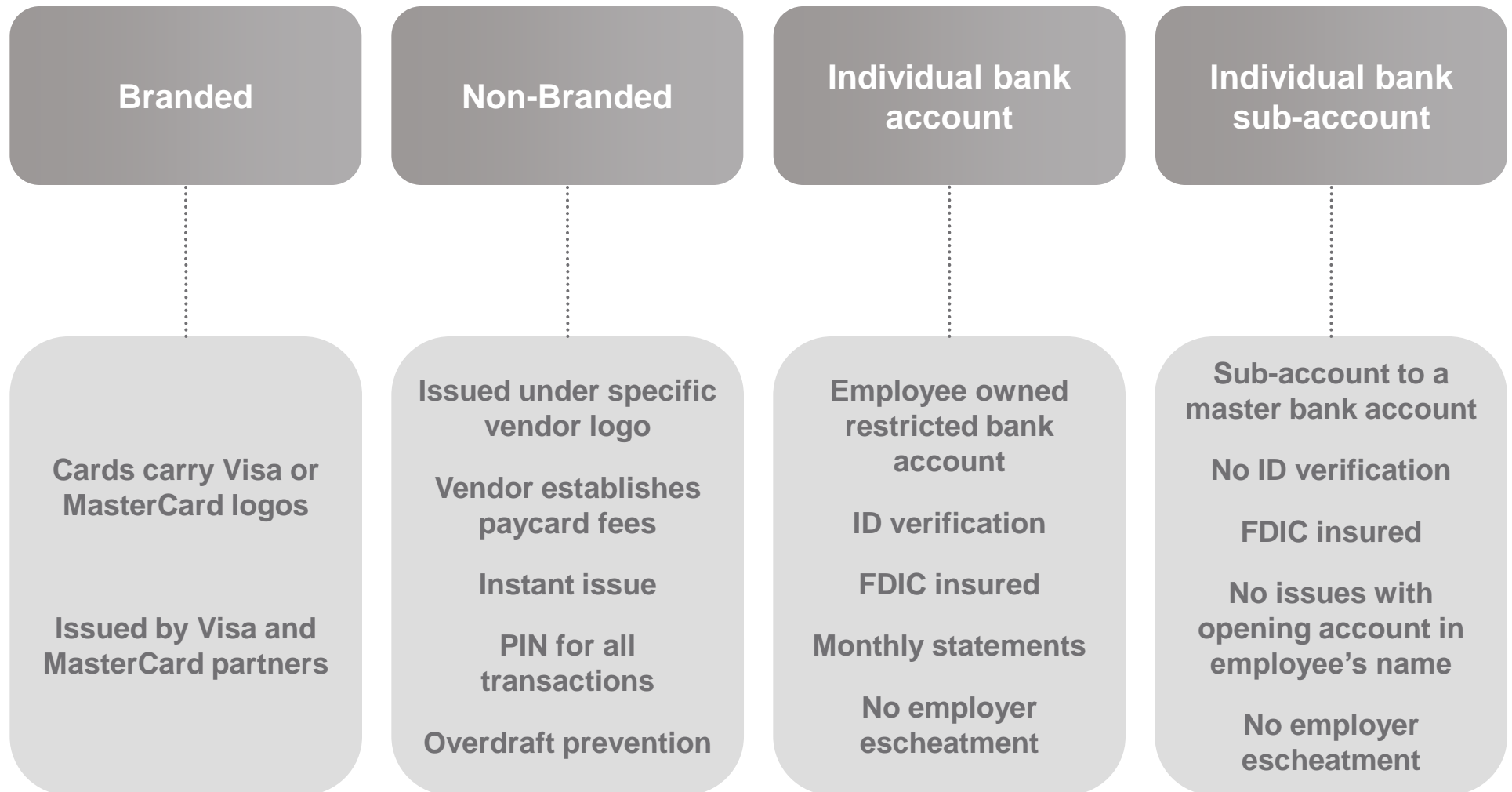
\$440B
2017 branded prepaid card
market opportunity ⁽¹⁾

\$25.6B
2009 branded prepaid
payroll value ⁽¹⁾



\$99.6B
2017 branded prepaid payroll
value (estimate) ⁽¹⁾

Paycard Varieties



Employer Benefits

Attributes for Success

Efficiency

- Pay to the penny solution
- Maximize direct deposit participation

Simplified Administration

- Reduces payroll costs
- Streamlines administrative responsibilities
- Reduces escheatment management
- Dedicated training and implementation assistance

Risk Mitigation

- Improves payroll security and control
- Reduced check fraud

Reliability

- Prompt disbursement and access for all employees
- Uninterrupted pay in the event of a disaster

Employer Benefits

Speed

- Automatic approval for employees
- No credit or background checks
- Paycheck deposited to an electronic account

Accessibility

- No waiting in line to cash checks
- Can buy virtually anything, anywhere
- Instant access to funds at ATMs
- 24/7 bi-lingual customer support

Security

- Not carrying large amounts of cash on payday
- Fraud protection

No Cost

- Free check cashing at participating locations
- Free money transfers
- Surcharge-free ATMs



Little Caesars

Paycard Basics



- Employees receive net pay via direct deposit or on a paycard
- Pay goes on a “branded” card (MasterCard or Visa)
- Employee can obtain pay via:
 - ATM
 - At a bank
- Employee can use card for purchases
- Card is “reloaded” at each pay



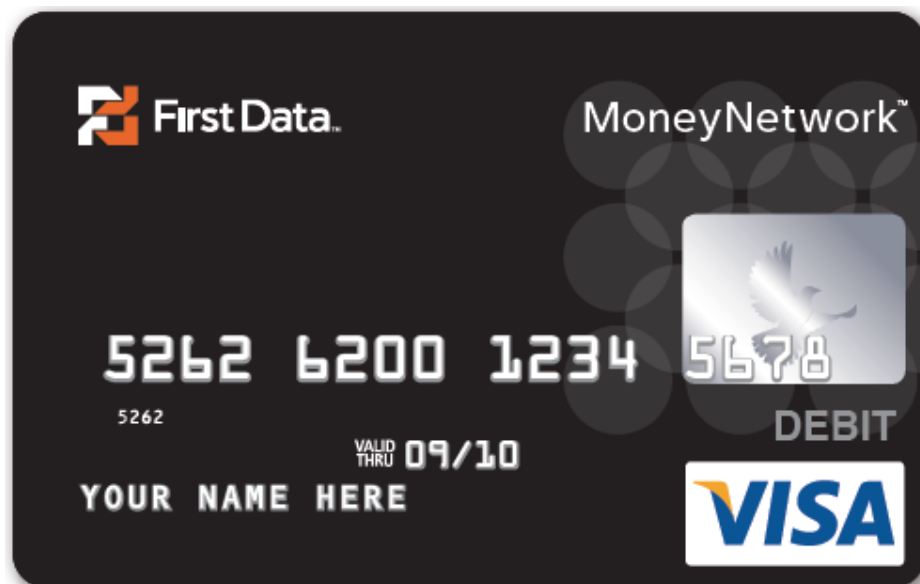
Why Do We Use Paycards?

- Employee retention
- Gives them access to a “credit card”
- Reduce costs
 - Improved efficiency – get paid on Tuesday morning
 - Improve use of manager & supervisor’s time
- Strategy against fraud



Who Is Using A Paycard?

- 50%+ of our operations employees use a paycard
- Employees avoid bank fees and check cashing fees
- Employees now sign up paycard as a way to access consumer payment channels:
 - Internet
 - PayPal





Paycard Employee Advantages

- Earlier access to funds (6:00 a.m. ET)
- Convenience of an automated deposit
 - Access to cash 24 hours a day, 7 days a week, 365 days a year
 - Use anywhere debit cards are accepted
- Lost or stolen card limited liability



Current Program: Bank X

- Launched market by market beginning in Florida in 2006
- Leveraged existing “bonus card” program





Why Did We Go With Bank X?

- One of the first banks to offer a program
- Bonus Card Program
- Systems already in place for transmitting/managing



Bank X Program Pros



- Employee acceptance was high
- Significantly reduced paper checks
- Payroll fraud issues disappeared
- Could fix pay problems quickly



Bank X Program Cons

- Card delivery issues
 - Address maintenance issues
- Replacement cards take too long
- Could not add funds to the card
- Still distributing paper pay stubs
- Confusion in the field – sign up for card but gets a check
 - New hires still get at least 1 paper check
- Biggest challenge – employee has no access to money without card
- Bank X not known across the country – small ATM network

Bank X Program – Other Issues



- Card replacement vendor still takes “too long” – 7 to 10 business days
- Card belonged to the bank – term employees lost access after 30 days
- Still issuing paper statements – no online access to account information



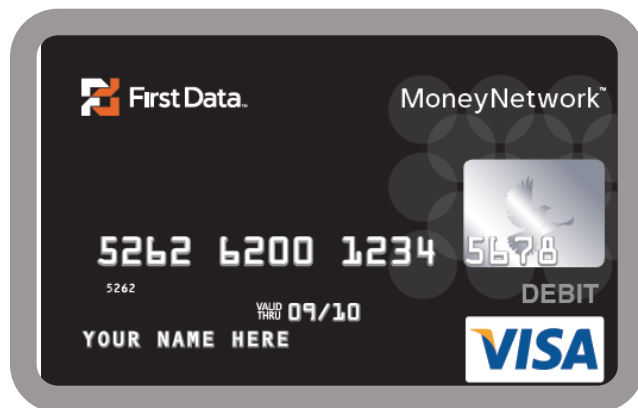
New Card Program

Bank Of America/Money Network

6,100 BA BRANCHES

35,000 ATMS

6,000 MONEY NETWORK LOCATIONS





What Is Money Network

- Check cashing outlets/options for when you lose your card
 - 4,300 Wal-Mart
 - 1,700 Ace Cash Express
- Gives the employee and the employer options for solving pay problems





Money Network/BA Paycard Program

What Is Different?

- New employee receives “packet” at time of hire
- Packet contains
 - Paycard – branded with Visa
 - 3 Paper checks

Money Network/BA Paycard Program



- Eliminates “new hire” issue whereby they always would receive 1 paper check
- Eliminates card distribution issue because of address changes with employees – employee has card from “day 1”
- Paper check feature gives options for when card is lost



How Does The Check Feature Work?

- Verify your balance if needed
- Write the date, dollar amount, and who the check is payable to
- Call the number on the back of your card
- Select the “check” option
- Enter the check number and amount into the telephone key pad
- Write the “Issuer Number” and “Transaction Number” on the bottom of the check



Other Employee Benefits

FREE ATM ACCESS

Over 35,000 surcharge free ATM locations:
Allpoint® and Bank of America

MULTIPLE SOURCE FUNDING

Offers employee flexibility with Western Union re-load or second job ACH

BALANCE ALERTS

Daily or weekly balance sent via text or email

BALANCE ALERTS

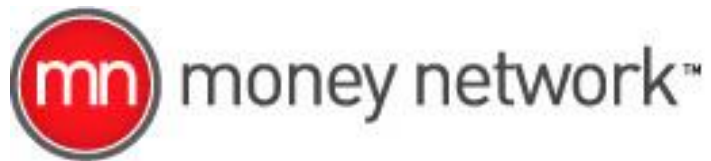
Daily or weekly balance sent via text or email





Account Loading Options

- Regular bi-weekly pay
- Money from a spouse's job
- Tax refunds
- Retail "load" at participating locations (Wal-Mart)
- Government benefits



Fees



- ATM withdrawals are free at any in-network ATM
- Still free cash advance at the teller window
- Replacement card fee is \$6
 - \$13 for express delivery

Employee Savings



- Employee savings on key item – card replacement
 - Bank X = \$10
 - FIRST DATA/BA = \$6





New Paycard Program Recap

- Bank of America – bigger “footprint”
 - More branches/ATMs/outlets
- Philosophy
 - This is the employee’s card
- Check writing feature gives options
- On line statements
- More than one card
- Can add funds

Electronic Paystub Solution

Paystub Portal



LC payroll transmits paystub information



On Saturday before pay day, information is available for employees to view on-demand through the Paystub Portal access points



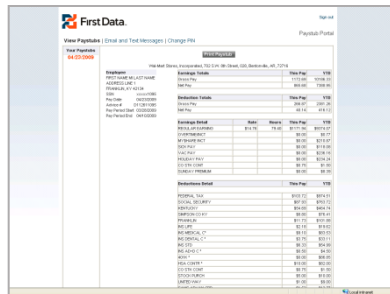
Tuesday pay day – net pay available for direct deposit and paycard employees

Paystub Portal Access Points

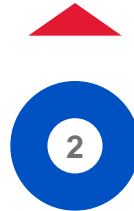


Employees will need two items of information to securely retrieve paystub information from one of the access points:

- Employee ID
- Unique PIN



First Data-hosted website, with print screen capabilities



Text (SMS) or email messages



First Data-hosted IVR

First Data Paystub Portal

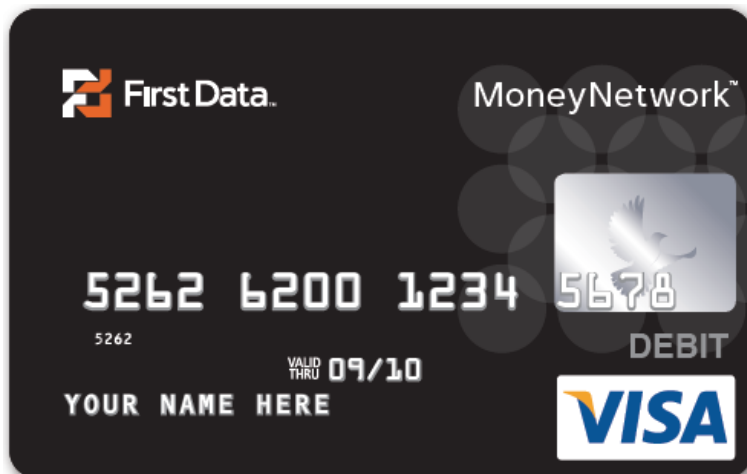


- Employee driven – employee selects how they want to receive paystub information
 - On line
 - Text message – mobile device
 - Telephone
- Multi-lingual VRU
- All employees on electronic pay will move to the electronic paystub
 - Direct deposit
 - Paycard
- Paper paystubs will come for several cycles during the transition

Money Network/BA Program FAQs



- Why go with the Money Network/BA program?
 - Branch/ATM/Wal-Mart coverage
 - 435+ stores currently bank with BA – lines up our stores with our employees
- How do I activate the card
 - Saturday before pay day – call toll free number – 1-888-913-0900
 - Set up your 4 digit pin
 - Remove sticker from card





- What comes with my card packet?
 - Card
 - Terms and conditions with your “master” account number
 - “How to” brochure
 - How to use your card for purchases
 - How to obtain your balance
 - How to use the card in a “split” transaction at a restaurant or gas station
 - What to do if your card is lost or stolen
 - Money Network checks

- What kind of fees would an employee have to pay to make a cash withdrawal?
 - **No fee** at any ATM within the network
 - Any Bank of America branch (6,100)
 - Any ATM in the Allpoint network (35K)
 - Any Wal-Mart or Ace Cash Express outlet
 - Employee would continue to pay “local charge” on ATM



- How do I get cash at an ATM
 - Swipe or enter your card
 - Enter your 4 digit pin
 - Select “WITHDRAWAL” from “CHECKING”
 - Enter the \$ amount
 - Take the cash, card and receipt
- Can I use this paycard at “pay at the pump”?
 - Yes – this paycard can be used at gas stations for “pay at the pump” transactions – select CREDIT
- What if I lose my card?
 - Employee charged \$6 replacement fee
 - Card comes to his address customized with his name
 - Delivered within 5 business days



- What happens when an employee terminates who was paid via a card?
 - Receives his last pay as scheduled
 - Card stays with the employee – portable – his to manage – his responsibility
 - \$2.95/month maintenance fee after first month
- Will I get a paper statement showing activity on my paycard?
 - Statement information is available on line and via the telephone
 - You can “opt in” for a paper statement to be sent to your home for a monthly fee
- What if an employee refuses to sign up for DD or a paycard?
 - At this point, it’s a voluntary mandate managed at the point of hiring
- What about pay stubs?
 - First Data has a Paystub Portal program – all employees will be enrolled in the paystub program



- What about our program with Bank X?
 - Voluntary conversion of existing employees from the Bank X program to the Money Network/BA program
 - Will review in 60 days – the goal is for all employees to be on the Money Network program

How Does This Work For New Hires?



- Employee signs up for either DD or paycard at orientation – if paycard, receives new paycard on the spot
- Staple Money Network stub to enrollment form and turn in with new hire paperwork
- Employee will receive first pay on paycard after turning in new hire documents

Next Steps



- All new hires encouraged to sign up for new program
- Talk to your store associates about converting
- First pay for this market is _____

Conclusion



BETTER PROGRAM FOR EMPLOYEES

MONEY NETWORK PAPER CHECK BACKUP OPTION GIVES US MORE FLEXIBILITY

PAYSTUB OPTION MOVES US TO PAPERLESS PAY

HELPS US PROTECT OUR \$5 PRICE POINT THROUGH COST SAVINGS AND EFFICIENCY

Questions?

