

BILL NUMBER: Assembly Bill 232 (Hill) as amended April 16, 2009

SUMMARY

AB 232 allows CalSTRS to improve the efficiency of its operations by authorizing it to prescribe the form for accepting electronically signed applications and documents, and not mail a copy of benefit payment information when payments are made by electronic funds transfer, unless there is a change in the net amount paid or the recipient requests to receive a copy.

PURPOSE OF THE BILL

Current law requires CalSTRS to send a monthly remittance advice by mail to benefit recipients who elect to have their benefits paid by direct deposit, unless they elect not to receive it. In addition, current regulations restrict how CalSTRS can secure an electronic signature, even though equally secure alternative means are available. These laws and regulations limit the ability of CalSTRS to provide services to members and beneficiaries in the most cost-effective manner.

SUMMARY OF AMENDMENTS

The April 16 amendment:

- Requires CalSTRS to notify benefit recipients of their right to request that a copy of their payment information be sent to them, and
- Requires CalSTRS to send a copy of the benefit payment information to a person who requests to receive such a copy.

BOARD POSITION

SPONSOR. The measure would improve the delivery of benefits and services and provide more effective and efficient administration of the retirement plan.

LEGISLATIVE HISTORY

AB 2100-- Dutra (2000) would have narrowed the meaning of a digital signature to mean an electronic identifier intended by the party using it to have the same force and effect as the use of a manual signature. The measure died in the Assembly.

Chapter 591, Statutes of 1995 (AB 1577—Bowen) requires that in any communication with a public entity when a signature is required, a digital signature may be used instead as long as it complies with regulations specified by the Secretary of State.

Chapter 933, Statutes of 1994 (AB 3171—Napolitano) allows CalSTRS to not send a copy of the benefit payment information to recipients that submit a written request not to send a copy of the information. Requires CalSTRS to notify recipients in the monthly benefit payment notice that they have the right to request that no copy of the benefit payment information be mailed.

PROGRAM BACKGROUND

Currently, CalSTRS uses technology to provide efficient member service, but its ability to do so is limited by current law. Under existing law, CalSTRS may send payments to retired members, disabled members or other beneficiaries through direct deposit. However, CalSTRS still sends a written copy of the payment information to the benefit recipients, unless those recipients notify CalSTRS that they do not want to receive the payment information. Also, CalSTRS uses its Website to allow members to access their account information. However, if members want to submit signed forms, they have to print them off the website or have CalSTRS mail them a copy and then they return the signed forms by mail.

ANALYSIS:

Historically, CalSTRS receives and sends information to its members in written form. While CalSTRS now is able to send payments to benefit recipients through direct deposit, it also sends a written copy of the payment information to those recipients. CalSTRS currently must receive written signatures from members, when a signature is required.

Existing Law:

Current law requires that when CalSTRS makes a payment to a benefit recipient using direct deposit, a copy of the payment information must be mailed to the recipients, unless those recipients inform CalSTRS that they do not want to receive the payment information. Approximately 3.4 percent of recipients choose not to receive the payment information. In fiscal year 2007-08 there were approximately 2.8 million direct deposit transactions, at a cost of approximately \$900,000.

Under existing law, public agencies, such as CalSTRS, are required to follow specified technology requirements for accepting digital signatures in written communications. However, these technology requirements may not be easy for CalSTRS members to understand. In addition, if CalSTRS used technology requirements under existing law, it would incur yearly costs of approximately \$1.45 million due to the costs associated with implementing those technology requirements.

This bill:

This bill allows CalSTRS to discontinue mailing payment information for direct deposit payments. This would not only cut down on the amount of paper documents mailed out, but CalSTRS could also save on the cost of mailing those documents, potentially saving as much as approximately \$840,000 annually. The payment information would continue to be available to members electronically and would be mailed to individuals who request to receive a copy. Payment information also would be mailed when there is an adjustment in the allowance or a change in any amount deducted from the allowance.

In addition, CalSTRS would also develop and implement its own technology requirements so that it can accept electronic signatures from its members, while maintaining the same level of security as required by current law. This would reduce the number of signed documents that

have to be mailed to CalSTRS. This would also produce savings for CalSTRS by reducing the number of signed documents that would have to be processed by staff. Giving members the option to submit forms with a digital signature could produce annual savings of \$300,000 from efficiencies in processing signed documents.

OTHER STATES' INFORMATION

Electronic Signatures

In 1999, the National Conference of Commissioners on Uniform Laws (NCCUSL) enacted the Uniform Electronic Transactions Act (UETA), which establishes the legal equivalence of electronic records and signatures with paper writings and manually-signed signatures. Forty-six states, including California, have adopted the UETA, although Georgia, Illinois, New York and Washington have statutes pertaining to electronic transactions.

In 2000, the federal government enacted the Electronic Signatures in Global and National Commerce Act (E-SIGN), which was substantially similar to the UETA, but included additional consumer protection and specifically preempted state laws that failed to conform to the UETA, in situations involving interstate commerce.

Electronic Payments

The Social Security Administration (SSA) pays nearly all of its benefit recipients via direct deposit. At the time a retiree begins to receive his or her monthly benefit payment, SSA sends out an award letter to the retiree, informing him or her of the amount of the monthly benefit. SSA sends another letter to retirees each time they receive an annual cost of living adjustment. However, SSA does not mail a monthly statement to retirees nor does it make the information available online.

FISCAL IMPACT

Benefit Program Cost – None.

Administrative Costs/Savings – Costs would be minor and absorbable with existing staff. Potential savings if payment information documents were not mailed would be as much as \$840,000 per year, while savings from using digital signatures could be as much as \$300,000 per year.

SUPPORT

CalSTRS (Sponsor)

OPPOSITION

None known.

ARGUMENTS

Pro:

- Allows CalSTRS to expand services offered to members and beneficiaries
- Allows for potential ongoing administrative cost savings

LEGISLATIVE STAFF CONTACT

Sal Sanchez
Legislative Analyst,
CalSTRS Legislative Affairs,
229-0119
ssanchez@calstrs.com

Mary Anne Ashley
Assistant Director,
CalSTRS Legislative Affairs
229-3891
mashely@calstrs.ca.gov

Jennifer Baker
Director,
CalSTRS Governmental Affairs and Program Analysis,
229-3866
jbaker@calstrs.com

Greg Hurner
Deputy Secretary, Legislation,
State and Consumer Services Agency,
Office: (916) 653-3111
Mobile: (916) 201-5962
greg.hurner@scsa.ca.gov