

January 24, 2007

TO: All County Superintendents of Schools
District Superintendents of Schools
Community College Districts and
Other Employing Agencies

FROM: EXECUTIVE OFFICE

SUBJECT: Employer Directive 2007-01
Sending Reports Electronically in Encrypted Format

PURPOSE

The purpose of this directive is to inform employers of new legislation (Chapter 655, Statutes of 2006) effective January 1, 2007, which amends section 23004 of the Education Code and requires that all monthly reports be submitted electronically in the CalSTRS-provided encrypted format. This will ensure the security of the transmitted member data. Reports currently submitted on cartridge tape, 3.5-inch floppy disk, or compact disc (CD) **will no longer be accepted after March 31, 2007.**

Section 23006 of the Education Code, provides for penalties for reports submitted late or in an unacceptable format. **Data that is not submitted electronically in the CalSTRS-provided encrypted format after March 31, 2007, will be rejected and subject to penalties.**

SCOPE

This directive applies to all county superintendents of schools, school districts, community college districts, and other employing agencies that submit required reports monthly to CalSTRS.

DISCUSSION

Currently, CalSTRS receives unencrypted data via standard mail from employers, which presents a higher level of risk with safeguarding confidential member information than electronically encrypted data.

Section 1798.82(a) of the California Civil Code reads as follows:

“Any person or business that conducts business in California, and that owns or licenses computerized data that includes personal information, shall disclose any breach of the security of the system following discovery or notification of the breach in the security of the data to any resident of California whose unencrypted personal information was, or is reasonably believed to have been acquired by an unauthorized person.”

As a result, any business or organization must notify affected members in the event of a compromise to sensitive data. This type of notification is not only time consuming and costly, but disrupts business activities and can destroy confidence in an organization. CalSTRS works diligently to meet strict security controls to minimize risk and eliminate the necessity of reporting a data security breach.

Effective March 31, 2007, CalSTRS will *require* employers to transmit such data electronically in an encrypted format. Currently, CalSTRS requires employers transmitting files electronically to use a **Virtual Private Network (VPN) and File Transfer Protocol (FTP)** to ensure the security of transmitted member data.

CalSTRS will be implementing a new **Secure Employer Web site** early in 2007. This new web site will eventually replace the current VPN and FTP processes for transmitting all files (F496, Address, MR87, VDF, Tax-Deferred Account Receivable file) from employers to CalSTRS. Prior to availability of the Secure Employer Web site, an employer information circular, along with a Secure Employer Web site-users' training compact disc (CD), will be sent to employers.

Reasons for employers to begin using the Secure Employer Web site include:

- Current methods of using unsecured media do not protect data
- Will provide a secure, encrypted, and timely transmission of data
- Avoids penalties due to submission of late reports or unacceptable formats
- Cost effective because the transfer of data does not incur costs of standard mail or expedited overnight shipping

You may begin using the Secure Employer Web site to transmit data when it becomes available.

ACTION

VPN and FTP Software for those currently not using FTP:

If you do not wish to wait for the Secure Employer Web site to comply with the new law, you may download onto your computer the required VPN and FTP software from the CalSTRS Web site by going to <http://www.CalSTRS.com/Employers/DataSubmission>.

Setting up a secure access account:

To set up a secure access account to use the VPN and FTP software, please call the CalSTRS Enterprise Initiatives and Technology Service Desk at (916) 229-HELP (4357), or go to CalSTRS.com for the following required forms:

- CalSTRS Information Security, Confidentiality and Non-Disclosure Agreement for Non-State Employees (ISO 1949B)
- Remote Mainframe Access Request (OL-1133.1)
- Data Technology Services Security and Confidentiality (DTS 250)

Complete, sign, and fax these forms to (916) 229-4905 **Attention: Service Desk**. In addition to **faxing** these forms, **mail** all signed original forms within three (3) business days of sending the fax to CalSTRS.

Questions concerning this directive should be directed to the CalSTRS Enterprise Initiatives and Technology Service Desk at (916) 229-HELP (4357).

Jack Ehnes
Chief Executive Officer