



NATIONAL ASSOCIATION OF STATE RETIREMENT ADMINISTRATORS

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**Survey on Mandatory Direct Deposit for Some or All Annuitants  
Conducted December 2004**

*Participation in this survey was limited to NASRA member systems that  
require direct deposit for some or all annuitants.*

8 Systems Responded

**Do you have an exception/exemption policy to the direct deposit requirement?**

Yes: 8 No: 0

Accompanying comments:

- Only exempt those who certify they don't have a checking account.
- The Executive Director may grant an exemption if the annuitant can show that direct deposit causes a hardship.
- Benefit recipients under the defined benefit program are required to use direct deposit unless they apply for and are granted a hardship exemption. Required use of direct deposit was implemented several years ago.
- Requires the approval of the State Personnel Director.

**If the annuitant does not submit banking information or does not contact you to request exemption upon retirement, do you initiate their payment by check?**

Yes: 5 No: 3

Accompanying comments:

- We circle back to these people within six months in attempt to get them on direct deposit
- New annuitants are given 90 days to comply. After 90 days, payments are curtailed until compliance
- We initiate check payments without other information available.
- Letter is sent to all annuitants who send in application without direct deposit information. The annuitant must contact us and request exemption to have benefit processed without it.
- We process a Preliminary check and send request for banking information. If this is not received within 30 days we will suspend their benefit until the information is received.

**If an annuitant closes his or her bank account, do you withhold payment until they either provide banking information or request an exemption?**

Yes: 2      No: 6

Accompanying comments:

- We issue a warrant with a notice requesting new banking information.
- Annuitants are given 90 days to open a new account or request a waiver.
- Assuming the account closure or rejection of direct deposit happens without notice.
- With our laws the mandatory requirements are applicable to retirees with effective date of 1/1/2000 forward; therefore we would check their retirement date. If prior to 1/1/00 we would stop the auto deposit and send paper checks without requesting any additional banking information. For those retired after 1/1/00 we would stop and then follow up with a letter requesting the information and let them know their benefit will be suspended until the information is received.
- We will usually allow a retiree a month before withholding any benefit payment.

**If you do withhold payment for annuitants who close their bank account, what difficulties, if any, have you encountered?**

- We encounter complaints from benefit recipients who thought notification to the retirement system was automatic and that they were not responsible for keeping us informed. We have also encountered situations where the account was closed by the financial institution in response to fraud or theft where both the annuitant and the financial institution failed to notify us.
- None, they usually submit the bank information or request exemption.

Two respondents whose systems do not withhold payment provided the following comments:

- Since we suspend only after they are notified we haven't encountered many difficulties. Also, we will accept a fax copy of our authorization form.
- None, this action usually expedites action from the retiree.

**Please provide any other notable experiences or insights you have gained regarding your mandatory direct deposit requirement.**

- Our system now has a 94% participation rate in the direct deposit program. State Police and Judges, which we also administer, have 85% and 100% participation rates, respectively. We have observed that as younger members, who are more comfortable with modern technology, enter the retirement ranks, there is far less resistance to the direct deposit concept.

- Mandatory direct deposit was instituted in two phases. First, persons retiring after a certain date were required to have direct deposit. Later, we extended the requirement to all annuitants. We experienced less opposition than anticipated. We believe emphasis on security was an effective selling point.
- Direct deposit has been fairly well received; more than 83% of our annuitants use direct deposit. The older annuitants who did not experience direct deposit when working are resistant but the newly added annuitants are most receptive.
- We have found it difficult to implement mandatory direct deposit for those who have been retired for quite some time. We've been more successful with new retirees. Currently we have 90% of our retirees on direct deposit.
- With the mandatory deposit, we have had to put in additional checks to be sure all information was correct so deposit is sent to correct account. Being able to successfully reclaim a deposit made after death. Today most of our retirees want this feature.
- From an administrative aspect this is a great time saver. Retirees retired prior to 1996 do not have to participate and so we still have about 10% of our retirees not on direct deposit. These 10% generate a lot of phone calls around checkdate time if the don't receive their check in a timely manner.
- We use a jaw bone technique. Since 7/1/03 we have required mandatory direct deposit. Retirement information and forms were updated to reflect that policy. If a retiree does not enroll in direct deposit they receive three letters (once a month) advising them of the policy. After that, the letters stop and no further arm twisting occurs. Participation after 3 months approaches 96%. Those in retirement prior to 7/1/03 are encouraged annually through newsletters. Enrollment approaches 70%.

One system that does not require direct deposit submitted the following comment in response to the invitation to participate in the survey:

- Last year we were very interested in mandating direct deposit. However, we encountered a high level of constituent concerns over a mandate. We thought voluntary compliance through a disincentive attached to paper checks would be a better approach. Beginning January 2006 we will begin charging a monthly fee for receipt of a paper check for the monthly benefit. We have not set the fee yet, but are leaning toward \$1/mo (we can trace about 49 cents of hard costs for paper warrants above the direct deposit cost).

**Thanks to the following systems that responded to this survey:**

Arkansas PERS  
 Delaware PERS  
 Florida RS  
 Illinois MRF

Louisiana SERS  
 Louisiana TRS  
 Maryland SRPS  
 Tennessee Consolidated Retirement System