

**PEBA Refund Claims Submission
Enhancement Proposal**

**Prepared for:
Certified Public Manager Program**

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1. Introductory and Background Information

The South Carolina Public Employee Benefit Authority (PEBA) administers retirement and insurance benefits to South Carolina state employees. The retirement division administers four defined benefit pension trust funds, and one defined contribution retirement plan.

Participation in the defined benefit or defined contribution plan is mandatory for all permanent, full time employees. PEBA terms participants in these plans as Members.

Recent Bureau of Labor Statistic (BLS) work trends indicate the average tenure for US workers is 4.2 years in one job. Vesting requirements for new SCRS and PORS members who choose the traditional defined benefit pension plan is 8 years (Class III membership). Based on the current trends, it is becoming less likely that members will remain in employ long enough to become vested in the state pension plan. Due to changes in working trends and pension plan changes, many new members are opting for the defined contribution plan (ORP) which has no vesting requirements.

Fiscal Year	Participants	% increase
2007	16,081	-
2012	20,021	24.5
2017	28,291	41.3

Members in certain professions, such as police, fire, and corrections do not have the option of ORP, and must join the PORS (Defined Benefit) plan. For these members, and those who elect the defined benefit (SCRS) plan, there are options for the member to choose upon separation from service.

All members in the defined benefit plans will separate from service at some point, whether it be to retirement, cessation of employment, or death. Recent trends indicate that more often than not, people are leaving employment before they are vested and eligible to draw a monthly benefit, and they are taking their money with them when they leave.

At the point a member separates from employment, and after a legislative mandated 90 day waiting period, members have the ability to leave their contributions on deposit with the State pension plan or elect a refund of their contributions. A "Refund" of contributions for PEBA definition includes: a taxable lump sum payout, a direct rollover to another qualified retirement account, or combination of these two options.

To receive a refund, a member must complete a paper refund request which requires member signature and notarization, or submit a request through PEBA's Member Access portal.

Members are also required to submit a copy of a current (not expired) valid driver's license or state issued ID card when an application submitted by paper request. Members also have the ability to electronically upload their ID through the Member Access portal.

2. Refund Member Access

In an effort to provide members direct web access to their defined benefit accounts, PEBA developers created an online access portal in 2012. This online access tool, called Member Access, allows members to view their current defined benefit balances and service credit.

As of 7/5/2017, members gained the ability to submit a request for a refund of their defined benefit contributions and electronically upload a copy of their current state issued

identification. All claims submitted on 7/4/2017 and prior was accomplished by paper application submission, and required manual entry by a claims processor. A similar application to allow uploading of drivers' license and proof of birth information for Service Annuity claims also went into production on 10/25/2017.

Members now have the ability to direct key their claim information, which eliminates mail and PEBA processing entry time. There still remains the issue, however, for the PEBA claims processor to verify the member's ID.

In pre-deployment testing, issues of glare and distortion were often encountered from electronic uploads. Significant advances were made by the PEBA claims department by information that was learned in the time period between the initial Member Access Refund project deployment and Member Access Annuity project deployment. As the claims and uploads began to come in, the claims department was able to apply new techniques utilizing our existing systems to: modify image document designations, enhance image quality and clarity, and reset system defaults to further enhance our document storage capabilities and usability of documents. The development team was able to limit file types available for upload, so that members could upload only the most usable formats. This was completed with minimal time and effort, and project leaders were able to quickly train staff and deploy the new processes. Implementation of these new techniques has significantly reduced the image quality issues.

Since the introduction of online refund submissions, processing time for refund claims that have satisfied the legislative requirements (90 day break in service requirement) has decreased

from an average 19 days in Fiscal Year 2017 (7/1/2016 to 6/30/2017) to 17 days for the period of 7/1/2017 to 1/31/2018.

This increase in claim automation is likely to have had a direct result in decreased processing time. A long range goal is to automate the claims process as much as possible, and give claims processors the ability to complete a claim in a single pass.

3. Problem Definition

When members submit a request for refund via paper application or through the online Member Access tool, a PEBA claims processor must review the information submitted and verify the member's identity. The current method of ID verification is by photocopy submission or electronic upload of a digital copy of the member's state issued driver's license or ID card.

Often, the photocopy submitted would be of poor quality, illegible, expired, or is not included with the initial submission at all.

In this instance, an incomplete letter is mailed to the member requesting the required information. When the information is received, the claim processor must review and process the claim a second time. This creates delays in claim payouts, and often results in frustration of our members and additional expense to PEBA in processing time and postage costs.

There is also the potential that a member may knowingly or unknowingly upload malicious data into the PEBA system during the DL upload process, and subject the PEBA systems to added security risks.

4. Identification vs. Verification vs. Authentication- What's the difference?

Are you who you say you are, and how do I know? That is the question that PEBA claims processors are tasked with determining when a member submits a request for a refund. Members may question why a copy of their identification is needed, as they are required to submit other detailed personal information such as their Social Security number and date of birth. The answer, in short, is that PEBA wants to ensure the correct person is paid and that fraudulent activity is eliminated.

Identification is generally defined as an act or instance of proving one's identity. PEBA's method of validating a member's identification is by use of collecting a copy of a member's current driver's license or state issued ID card.

Verification is generally defined as establishing truth and/or accuracy, or substantiating by law or oath. Traditional paper refund request forms have fulfilled the verification requirement by means of a member signature and notary signature requirement.

Authentication in more recent (technological) terms is generally accepted as the process or action of verifying the identity of a user or process. PEBA's current method of authentication is accomplished by establishing an online user account through PEBA's website. The member is required to answer a series of security questions that only that particular person should know and establish a secure username and password so that only they have access to their account information.

PEBA historically has required two of these three burdens of proof to proceed with a refund request: Identification plus verification and/or authentication.

5. SCDMV Web DL

The South Carolina Department of Motor Vehicles (SCDMV) houses, maintains, and issues driver's licenses and identification cards that PEBA uses to validate a member's identity.

SCDMV also maintains an information system termed Web DL Summary web service that contains identifying demographics available to qualifying state agencies at no cost. The type of service provided is considered a business to business service, and requires the submitting agency (PEBA) to link through SCDMV's web service by utilizing a member's driving license number. After submission, DMV would then transmit an XML format document that includes the member's demographics.

Requirements for gaining access to the SCDMV Web Summary service are that a letter on agency letterhead and signed by the agency (PEBA) director to the requesting Web DL be submitted for review to the SCDMV procurement office. Once received and accepted by SCDMV, technical specifications and system requirements necessary to begin the web service will be provided by SCDMV.

Sample XML documents from DMV have been verified as usable documents that contain the required information to verify a member's identification. These requirements include: Name, Date of Birth, and identification card expiration date.

6. Data Collection:

The annual volume of refund claim submissions has historically averaged around 11,000 claims per year for the past 10 years. Since the introduction of Member Access online Refund submissions, the number has increased.

The total volume of new refund applications from 1/1/2017 to 1/31/2018 (13 months) was: 13,108. Of the total refund applications that were submitted during this time period, 82.77 percent were submitted by South Carolina residents, who would more often than not have a SC driver's license or SC issued identification card.

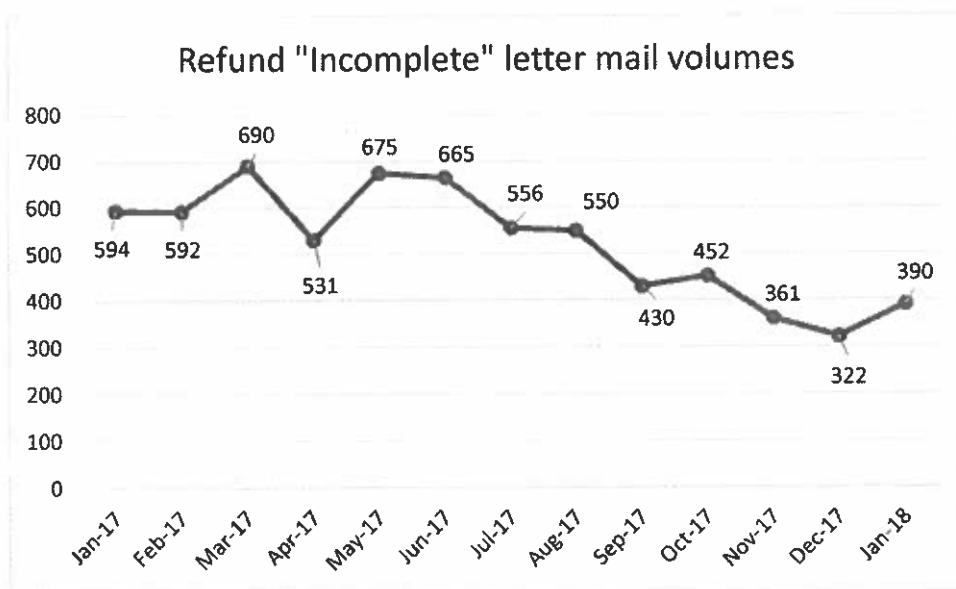
Refund Applications Received from 1/1/2017 to 1/31/2018 by state of residence

Member's Residence	Number of Refunds	Percentage
South Carolina	10,849	82.77
All other States/Countries	2,259	17.23
Total Refunds	13,108	100

During the time period from 1/1/2017 to 1/31/2018, there were a total of 6,808 incomplete letters mailed to members who requested a refund notifying them that additional information was required to process their application. Some of the 6,808 would include multiple information requests sent to the same member (i.e.: initial letter mailed in July, follow up letter mailed in August). Some of these incomplete letters would be for reasons other than ID related issues (i.e.: paper application not signed/notarized). However a substantial portion of the most commonly encountered incomplete reasons that could be resolved directly through SCDMV's Web DL such as: missing copy of driver's license, driver's license was not legible, driver's license has expired, and unacceptable copy of driver's license.

From 7/5/2017 to 1/30/2018, a total of 7,273 refund applications were submitted to PEBA for processing. 3,816 (52.4%) of these were submitted online through Member Access and 3,457 (47.5%) of these were submitted by traditional paper claims submission. The huge success of online refund applications and simplified filing process appears to indicate the member's preference for online filing.

Since the deployment of Refund Member Access online submissions on 7/5/2017, there has also been a marked drop in the volume of incomplete letters mailed to members to notify them that additional information is needed to process their refund request.



The decrease in incomplete letters can be directly attributed to all but one piece of the required information to process the refund request being collected upfront for over 50 percent of all refund submissions (Member Access). A requirement to include a SC driver's license number has the potential to reduce the "incomplete" rate even further.

The monthly average of new refund requests from 7/1/2017 to 1/31/2018 is: 1,051 new refund submissions per month. This number includes paper submissions and online submissions. If 82% of the average monthly submissions are from South Carolina residents with a SC issued driver's license or ID card, the potential submissions to SCDMV's Web DL would be around 861 requests per month.

The information referenced indicates that automation wherever possible and data that can be collected directly rather than relying on individuals to submit can result in decreased processing time and cost.

7. Proposed Solutions

The proposal for process enhancement is for the member's SC driver's license (or ID card number) be collected at the point of claim entry into Member Access, or in a separate column on a paper refund application. This would bypass the photocopy or upload requirement for approximately 80% of our members, and the verifying demographics could then be automatically or manually obtained by the PEBA claims analyst to confirm the member's information.

PEBA would submit information to SCDMV per Web DL requirements, and retrieve verifying XML identifying information. The PEBA claims processor would use the SCDMV output information to satisfy the identification requirement as indicated previously. A copy of the XML output could be stored in the member's image folder for reference, the same as a copy of the member's drivers' license is currently stored. The driver's license storage requirement could

also be eliminated, considering that PEBA could resubmit the same information through Web DL at a future date if needed.

One point of view would be the responsibility of proving a member's identity should fall upon the member. However, I would offer for your consideration that the member would have had to meet either the verification and/or authentication requirements as indicated above prior to a submission to Web DL. This proposal would also offer added security due to the business to business connections which are traditionally more secure than dealing with unknown endpoints from the public (i.e.: minimizing the potential for members to knowingly or inadvertently uploading malicious malware).

Members with an out of state identification would still be required to submit a photocopy or electronically upload their current state issued ID card for verification.

With the advent of REAL ID national, this may support implementing this type of program in the future. Currently, REAL ID cards are not a requirement in South Carolina. REAL ID individual cards are issued by each state, and will contain state specific ID numbers. There is currently no indication that a separate DL number will be issued on SC REAL ID cards. There would not be a national driver's license database to pull data from, so out of state DL's would still require a manual upload.

This project focuses specifically on applying the application to Refund claims, but the same information could also be applied to other types of claims handled by PEBA, such as Service Retirement, Disability Retirement, and Death claims.

8. Agency system upgrades

As of 10/10/2017, PEBA awarded a client services vendor contract to implement a new information management system termed "peba:connect". The client services vendor has recently begun review of the functional and technical requirements for the new system, and will develop RFP's for the data conversion and implementation after the review is complete.

Due to this new system implementation, any changes with the exception of routine maintenance to PEBA's existing data management systems will close as of March 2018. There will be no enhancements or upgrades to the existing PEBA data management system after this date. Any upgrades will be applied to the new peba:connect system as it is deployed. The estimated rollout timeframe is 3-5 years.

9. Evaluation Method

A six month to one year evaluation period should be established from the implementation date for this project proposal to determine its merit. Two key indicators that would be used to measure success of this proposal are: refund processing time and volume of incomplete letters mailed to members. A decrease in one or both of these performance measures would tend to indicate improved customer service and processing cost savings to PEBA and our members.

Bibliography

PEBA Archives:

<https://www.peba.sc.gov/archives.html>

Comprehensive Annual Financial Report (CAFR), 2007, 2012, 2017

PEBA Retirement Code of Laws: SECTION 9-1-1650L

<https://www.scstatehouse.gov/code/t09c001.php>

REAL ID Documentation

<https://www.dhs.gov/secure-drivers-license-documentation>

Bureau of Labor Statistics:

Employee Tenure Summary, 9/22/2016 <https://www.bls.gov/news.release/tenure.nr0.htm>

SCDMV- Frank Rodgers, Director of IT

Appendix A: (PDF doc of DMV XML sample)

Appendix A



Driver Record Summary

Customer No: 30007189			Driver License No: 100004941		
Name: CDLIS, BLESS					
Address: 222 CDL AVENUE					
City: COLUMBIA			State: SC		Zip: 29201
County: RICHLAND					
DOB: 06/19/1974		Sex: M	Driver Training: N		Citizen: Y
SSN: ***-**-9999	Height: 5'03	Weight: 125	Race: WHITE		
Status - DL: NO SUSPENSION			CDL: NO DISQUALIFICATION		

License Information

Type	Class	Function	Issued	Expires	First Issued	Restr.	Endor.	ACN
Current								
CDL	A	Reissue	08/12/2002	06/19/2007	08/12/2002	N	Y	N/A
Prior								
CDL	A	Original	08/12/2002	06/19/2007	08/12/2002	N	Y	N/A

Current

Endorsements: X Hazmat and Tank Combo
T Double and Triple Trailers

OOS Driver License Surrendered

OOS License No: 254788 **OOS Jurisdiction:** NC **Issued:** 08/12/2001
Date Surrendered: 08/12/2002
Reason for Return: OOS LICENSE EXCHANGE FOR SC LICENSE

Registered Voter - N

End of Report