Date: July 18, 2018
To: Board of Retirement
From: James Wilbanks, Ph.D., Retirement Administrator
Subject: Pension Gold Secure Business Continuity Services

As the Board is aware, staff has been working on the Business Continuity Plan (BCP) for the Association for some time. The BCP is nearly complete, with only one outstanding issue: the inclusion of a penultimate back-up plan.

The BCP codifies the steps MCERA will take in the event of a disaster that impacts either the physical capital or human capital of the Association and impairs the ability to continue operations. The plan addresses a number of functional issues including communications, benefit processing and other operations in a broad array of circumstances.

The primary back-up plan in the BCP is to rely on telework to continue critical operations, with considerations given to the potential need for an alternate work location in a protracted event where physical assets are impaired. The ultimate back-up plan, if MCERA is unable to process benefits by any other means, is to direct the County's master custodian to process the benefit payments from the ACH file for the prior month.

In discussions with Levi, Ray and Shoup, Inc. (LRS), the provider of Pension Gold the pension administration system used by Association staff, staff learned of the potential to add an additional back-up plan to the BCP. The attached document from LRS titled *Pension Gold Secure: Business Continuity Services* outlines the services LRS can provide to MCERA in the event of a disaster. The services could be included in the BCP as an additional back-up in the event that the Association is unable to perform critical functions via telework and/or at an alternate work location.

As the document outlines, Pension Gold Secure offers a very flexible means to continue critical operations. The cost for Pension Gold Secure is $6,000 annually. The first year cost covers the cost of equipment for LRS and creation of necessary systems and processes to provide the specified services. The annual fee in future years covers the cost of an annual review of the documents and processes involved as well as the conduct of a mock event each year to test the plan.

The annual fee does not include any costs as a result of activating Pension Gold Secure. If MCERA faces an event and activates the BCP, LRS would bill the association for any time and materials utilized under Pension Gold Secure.

I recommend the Board approve the inclusion of Pension Gold Secure to the menu of services provided to MCERA by LRS, and direct staff to include a budget amendment for the cost increase to the Audit and Budget Committee.

PensionGold Secure™
Business Continuity Services

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Background

What would happen if a disruptive event (such as a computer virus attack, a fire, or a natural disaster like an earthquake, hurricane or flood) occurred and no services could be provided to members of the Fund?

Many administrators and boards are asking themselves this very question. While no one really wants to think about a major disaster that could curtail daily business operations, it is important to have a Business Continuity plan in place before you have to respond to such a situation. If there is no plan, then one disaster could result in another disaster, such as not being able to pay retirees.

This document provides, at a high level, both an overview of requirements for a Business Continuity plan and the services LRS Retirement Solutions can provide with respect to the PensionGold Secure Business Continuity services.

Disruptive Events

Disruptive events *will* happen. All too frequently we read about communities, government agencies and companies impacted by tornadoes, hurricanes, floods and fires. In addition to natural disasters, disruptive events are caused by willful damage from viruses and disgruntled employees, as well as simple accidental damage.

Because we live in an uncertain world, Retirement Funds are looking for ways to impart stability and security to the services they provide their members. Contingency planning is crucial to providing high quality service, and a Business Continuity plan can be a central component of these overall plans.

When a disruptive event occurs, the Fund no longer has the capacity, within its standard operation, to make its core services available to their users to perform daily business activities.

Business Continuity Plan

A Business Continuity Plan (BCP) provides an encompassing strategy to allow a Retirement Fund to maintain mission-critical services during a business-disruptive event. The strategy can include, depending on the Retirement Fund's continuity needs, documentation of procedures to be implemented based on the severity of the disruption, pre-arrangements with third-party service companies that can be initiated on-demand, pre-disruption data archiving, hardware redundancy, and an off-site remote access standby system.

Not Disaster Recovery

A Business Continuity plan is not a Disaster Recovery plan. A Business Continuity plan is analogous to the rental car coverage in an auto insurance plan. If a driver's car is damaged in an accident, the insurance company provides a rental car to the driver as well as paying for the repair of the damaged car.

The Business Continuity plan is the "rental car" in this analogy, whereas the Disaster Recovery plan is the repair of the automobile. The Business Continuity plan is a stopgap mechanism to allow the mission-critical services of a Retirement Fund to continue *while* the Retirement Fund goes about the process of recovering from the disruptive event.

If a Retirement Fund does not have a Business Continuity plan in place prior to a disruptive event, then there is a real risk of failing to run benefit payroll on time. And, as anyone that has been involved in implementing a full scale Disaster Recovery plan knows, executing a Disaster Recovery plan is fraught with potential issues that can dramatically and unexpectedly extend the amount of time that an organization is unable to provide service to its members.

Responding to an Event

When an event occurs, the Fund's staff should respond by assessing the impact of the event and then, based on the severity of the event, follow the appropriate procedures. If the severity of the event is such that normal business processing cannot be performed by the Fund staff, they would follow a predefined Disruptive Event Response (DER) Checklist that would guide them through the process of transferring these services. Once the Fund is sure that core services are continuing to be provided to its members, the Fund's staff can focus on the activities necessary to recover from the event.

PensionGold Secure Service

In order to address the BCP needs of Retirement Funds, the LRS Retirement Solutions (LRS) team has developed a comprehensive BCP service called **PensionGold Secure™.** This service encompasses a Fund-specific BCP Checklist document as well as customized support to provide the Fund with assistance for each severity stage. PensionGold Secure services are constructed to help the Fund provide the core operations necessary to service its members during times of disruptive events. A very cost-effective approach to minimizing the disruption of business services is to combine PensionGold Secure with other backup processing. These services can be arranged through your LRS Retirement Solutions Account Manager. Regardless of where PensionGold software is hosted, the PensionGold Secure services can be provided.

PensionGold Secure Checklist of Services
Figure 1 is a list of the services available as part of PensionGold Secure. Other services can be included per the Fund's request.

Service Options	Included
Setup and Maintenance of BCP	
BCP Event Response Checklist	X
Testing of Event Checklist Annually	X
Daily Transactional Update of Database (on-premise)	X
Monthly Full Database Backup (on-premise as needed)	X
Event Support	
Provide access to PensionGold software hosted at LRS	X
Restore of Backup Database at Customer after event	X
Process Normal Payroll	X
Process 1099's	X
Print Checks	X
Create and Deliver ACH File	X
Process Lump Sum Payroll	X
Process New Retirees	X
Process New Continuances	X
Create Benefit Estimates	X
Process Transmittals	X
Printing of Forms and Reports	X

Notes:
1. Running of benefit payroll and printing of benefit checks and 1099 forms involves a mailing process that will incur additional charges.
2. Any data changes that had been made between the backup version of the database that LRS would be running and when the disruptive event occurred would be lost. At the conclusion of the event, the data in the PensionGold software at LRS would be sent back to the Fund and would be imported into the Fund's PensionGold software, thereby replacing the Fund's prior data.
3. Available services/options will vary depending on the version of PensionGold and where the application and data are hosted. A description of services to be provided will be documented in detail in the final Statement of Work.

PensionGold Hosted

PensionGold Secure is all about making sure a disruptive event at the Retirement Fund allows the staff to continue performing core services. In the scenario where PensionGold is being hosted at LRS, the application may be operational but a disaster at the Retirement Fund can still affect the staff's ability to process payroll or other critical functions. In this case, PensionGold Secure can still provide the services necessary to perform critical processing up to and including getting checks printed and out the door.

Frequently Asked Questions

Q: Why would I need PensionGold Secure? We back up our data and store the tapes across town.

A: When a major disruption happens, the concern is not just availability of facilities, but the availability of the staff do their regular work. With PensionGold Secure, you are just one phone call away from continuing your business operations.

Q: How do I know if my BCP Plan will work?

A: Regardless of the PensionGold Secure levels of service selected by a Fund, a comprehensive, detailed testing of the plan will be done. This will be a joint effort by both the Fund and LRS. There will be an initial testing of the plan as well as periodic testing of the plan depending upon what the Fund chooses.

Q: I have never developed a Business Continuity plan before. How long would it take to write a plan?

A: Developing the BCP will be a joint effort of the Fund and LRS. The PensionGold Secure levels of service that the Fund selects will determine how involved and complex the plan will be. Input from third parties such as the Fund's financial institution are required which will impact the time frame

Q: Can PensionGold Secure provide a hot site or temporary office space for my staff?

A: Yes, it includes office space at the LRS corporate headquarters for two of the Fund's staff.

Q: If I choose to have PensionGold Secure process my benefit checks, what kind of turnaround time should I expect from the time LRS is notified?

A: If you included this service as part of your PensionGold Secure services, then LRS will have your most recent data backup and will have equipment and your application ready to run so processing of benefit checks will take no longer than if you were in your office doing the same process. All arrangements with your bank relative to benefit payroll will have been previously established so it will be like you are sending the file to the bank.

Q: How much staff time is typically required to perform and send the backup to LRS? How can I be sure the files being sent to LRS are good?

A: LRS will help your staff set up an <u>automated process</u> that will perform the backup, compress the files and automatically send them via the LRS ftp site. Your staff will spend a few hours total on the setup process.

A complete end-to-end test will be performed when the process is first installed and then the test will be performed annually thereafter. Daily, an automated process at LRS makes sure the daily backup files are received and the compressed files are valid. In the event of corrupt or incomplete data, LRS staff will be alerted via email and will take appropriate action. Once the process is established your staff will not have to schedule any time related to the back up.

Q: I see database backups are part of PensionGold Secure. If I am a PensionGold Hosted customer, where is my data getting backed up to?

A: LRS backs up the data to another LRS Data Center located in our Bloomington, IL office, located approximately 70 miles away. Our application hosting environments are backed up to tape every night with all changes also backed up to Bloomington. The application and databases are kept in a warm standby mode and in the event of a disaster at the LRS Data Center in Springfield, IL, the software could be quickly brought online for full use.