



Date: July 17, 2019
To: Board of Retirement
From: James Wilbanks, Ph.D., Executive Director
Subject: Public Safety Power Shutoff Plan

Since the June Board meeting, I have gathered additional information about the Pacific Gas & Electric (PG&E) Public Safety Power Shutoff (PSPS) plan. This memo outlines the MCERA planned response in the event a PSPS impacts any MCERA critical operations.

Immediate Response to PSPS

During a PSPS, staff will activate the MCERA Business Continuity Plan (BCP). The BCP specifies a decision tree for categorizing disruptive events based on the assets impacted: physical, human or both; as well as the expected duration of the disruption: short-term or long-term. The distinction between short-term and long-term in the BCP is three days. While PG&E has indicated a PSPS could last as long as five days, we will treat these as a short-term disruption. Additionally, if a PSPS is the only factor causing a disruption to MCERA operations, then the disruption is categorized as physical only.

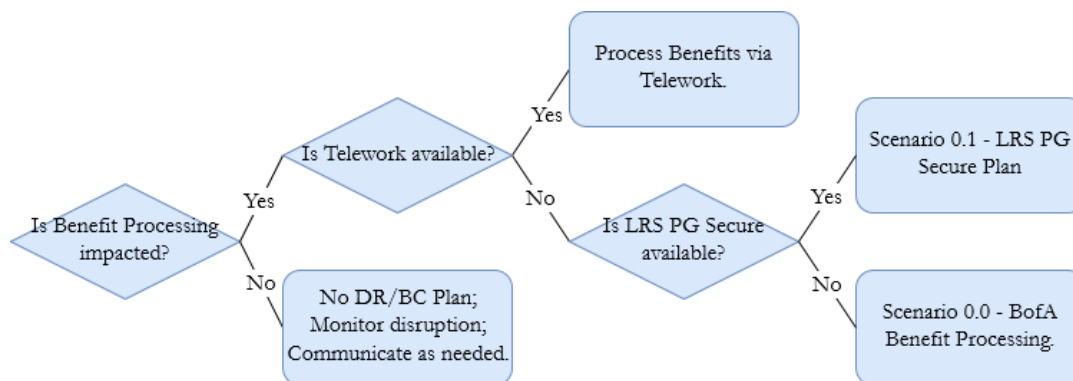
As outlined in the BCP, the only MCERA critical operations that must be completed during a short-term disruption of physical assets are: (1) funding for retirement benefits, (2) retirement benefit ACH processing, (3) retirement benefit check processing and (4) annual tax reporting (only if disruption occurs during the month of January). For this memo, I will ignore number 4 as a PSPS is rather unlikely in January.

I have communicated with the County Treasurer regarding the funding for retirement benefits. In that discussion I learned that since our retirement benefits are paid from the County Treasury, the funding for retirement benefits is not strictly a critical operation. This is due to the fact that the County Treasury normally maintains sufficient liquidity to pay our retirement benefits without MCERA providing additional funding. For clarification, the MCERA monthly cash flow in the first 10 months of FY-19 showed an average difference between contributions and benefit payments of (\$750,000). This is the amount of liquidity that would be required from the County Treasury to fund MCERA monthly benefits.

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This leaves the retirement benefits via ACH and checks as the two critical processes that are the focus of attention. Figure 1 below outlines the decision tree for how to proceed in a short-term physical asset disruption. If a PSPS occurs, the first question will be whether it will impact benefit processing. If the answer is 'No', then the BCP directs that staff monitor the disruption and communicate as needed. If, however, the answer is 'Yes', then the next question is whether telework is available. If telework is available, then staff will process benefits by telework; if telework is not available, then staff will turn to PG Secure. If PG Secure is not available, then the last resort is to simply process the prior month's ACH file. In a PSPS, it is highly unlikely that PG Secure would not be available.

Figure 1. Short Term Physical Asset Disruption Decision Tree



Benefit processing occurs between three and seven days prior to the end of each calendar month. If PG&E does provide prior notice of a PSPS, staff will strive to complete all necessary preparations for retirement benefits processing prior to the PSPS. If there is not prior notice and a PSPS occurs during the critical time period of the month, staff will utilize telework to prepare retirement benefits for processing. The following list shows the order of back up locations that staff will utilize in order to prepare retirement benefits for processing:

1. Telework from home;
2. Mendocino County Administration Center;
3. Other Mendocino County Facility;
4. Telework from Sonoma County Employees Retirement Association offices;
5. Telework from Marin County Employees Retirement Association offices;
6. Telework from other location not impacted by PSPS.

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As soon as the retirement benefits are prepared for processing, staff will submit the ACH for payment which provides over 97% of benefit payments. For the remaining monthly benefit payments paid via check, staff will activate PG Secure. Once staff has prepared benefits for payment, staff at Levi, Ray and Shoup, LLC (LRS), the provider of Pension Gold software and PG Secure vendor, will be contacted and directed to print the retirement benefit checks. As part of PG Secure, LRS has both the equipment and supplies necessary to complete this process.

The BCP also calls for communication efforts with employees, external agents and members. As provided in the plan, those efforts will continue independently of the efforts to complete the critical processes to ensure the regular payment of monthly retirement benefits.

Long-Term Response to PSPS

Turning to the longer term, it certainly appears that PG&E plans to maintain the PSPS for the foreseeable future. Eventually there may be technological enhancements or other factors that lead to the end of the program, but I believe it is likely to remain in place for at least the next 3 – 5 years. Given this new reality, I see two possible MCERA responses to the PSPS: either maintain course with the BCP and current plan, or we can pursue an alternate source of emergency power.

Last September, I presented the concept to the Board of obtaining an emergency back-up generator for the building. At that time, I provided a very rough estimate of between \$20,000 and \$30,000 in one-time expenses along with a potential small on-going expense for possible equipment rental, maintenance and service. After some discussion, the Board determined the expense did not seem prudent.

The PSPS potentially changes the calculus on this decision and I look to the Board for direction on whether we should consider the installation of an emergency back-up generator at this time. I would note that due to the PSPS, I expect the one-time costs are likely to be higher than the rough estimate I presented in September, 2018.