

MEMORANDUM

To: Joint Committee on Pensions, Investments, and Benefits
From: Alan D. Conroy, Executive Director
Date: December 2, 2020
Subject: COVID-19 Impacts on Operations and Retirements

KPERS, like all state agencies, was forced into making difficult decisions due to the impact of COVID-19. We have successfully continued to perform our mission critical functions of collecting employer and employer contributions and, most importantly, paying benefits accurately and on time. However, the past nine months have presented staffing and operations that have required flexibility from both staff and our employer and members.

It appears that 2020 will have a bump in the number of retirements compared to prior years. We will not know how much of the increase is due to COVID-19, but that is certainly a key factor in the increase.

Retirements and Withdrawals

At the beginning of the COVID-19 pandemic, we did not see much difference in the number of retirement applications year over year. However, as we entered the fall there has been an increase in the number of retirement applications. The recent experience includes:

- The number of new applications for retirements and survivor benefits was 1,087 in September and October 2020, compared with 846 retirement applications processed during the same two-month period in 2019, an increase of 241 or 28.5 percent. Anecdotal information from new retirees indicates this may have been due to:
 - Early retirement incentives offered by employers
 - Reluctance to physically return to the workplace or to continue virtual employment during the pandemic, and
 - Lack of actual work (and compensation) for certain school employees.
- The number of January 2021 retirement applications submitted (as of November 23) is 28.9% higher than the number submitted as of that same date in 2019. Some employers have retirement incentive packages related to the financial and budgetary impacts of COVID-19.

The following table shows a breakdown of new retirees between the State and School group. The most significant increase was for School members, which had year-over-year increase of 185 retirements or nearly 48% for the months of September and October. The State group only experienced an increase of 56 retirements, or 12.2%, in September and October 2020 compared to the same period in 2019.



New KPERS Retirements September/October 2019 vs. September/October 2020						
	New School Retirees		New Non-School Retirees		All New Retirees	
	2019	2020	2019	2020	2019	2020
September	262	397	147	167	409	564
October	125	175	312	348	437	523
Totals for the 2-month period	387	572	459	515	846	1,087
Change		185		56		241
Percent Increase in 2020		47.8%		12.2%		28.5%

The other area where we are seeing a large increase is in withdrawal applications. The number of withdrawal payments increased to 3,517 in September and October 2020, representing a nearly 100 percent increase or 1,756 over the 1,761 payments issued in September and October 2019. The increase appears to be related to:

- Financial challenges associated with the COVID-19 pandemic, and
- Results of an internal project notifying inactive, non-vested members that accounts are no longer eligible for interest credits.

It is not clear whether or how long the increase in retirement applications and withdrawals will continue. Nor do we know if there will be a corresponding decrease in 2021 as people have decided to retire earlier and those remaining will continue working as they had planned prior to COVID-19.

It's hard to say how a one-year increase in retirements could affect the System. Generally, if people are retiring younger there will be an actuarial cost to the System. However, other demographic impacts (e.g. covered payroll, payroll growth, number of inactive members) will also have a cost impact and we will not know how they balance out until the 12/31/2020 and 12/31/2021 actuarial valuations are completed.

Virtual Service Outreach

Most of the Spring 2020 employee pre-retirement seminars were switched to virtual once the pandemic unfolded. The Fall Employer Seminars have also been offered virtually. The general feedback from employers has been positive regarding virtual seminars. KPERS educational staff has also been participating in virtual benefit fairs and pre-retirement webinars, along with offering virtual retirement counseling sessions for individual members. During the time we have been operating under COVID conditions, KPERS has interacted with 566 employer representatives who have attended virtual workshops/webinars and 1,548 members and other interested parties have participated in pre-retirement webinars.

Remote Work Capability

When COVID-19 cases first began to rise last February and March, KPERS' staff worked remotely in limited circumstances (e.g. field audits, investment due diligence meetings).

In anticipation of a greater need for remote capabilities, we ordered additional laptops and remote working equipment in February 2020. Unfortunately, high demand and shipping delays meant we waited an extended period of time before receiving all of the new equipment.

We were able to assemble enough remote working equipment to effectively reduce the number of staff in the office until we received the additional information technology equipment. Currently there are laptops for all KPERS employees.

Unfortunately, our call center which receives on average between 400 and 500 calls per day is not equipped to be staffed remotely. The call center was shut down during the two-week period from March 23 – April 6 as part of the Governor’s ordered shut down of state government but has otherwise remained open. We have been working with the Office of Information Technology Services (OITS) on adding this functionality to our call center, but a solution has not been found at this point. OITS is continuing to work with us on adding remote functionality to our call center.

We are currently moving ahead with a plan to utilize Microsoft Teams software to allow for the call center to be staffed remotely. This is not a perfect solution, but it will allow us to continue meeting the needs of our members while keeping our staff safe.

Day-to-day Operations

Despite the initial disruption caused by COVID-19 in the Spring, we have managed to ramp operations back up to a normal level. During the initial shutdown last March, we invested in a large amount of plexiglass barriers to help protect our staff from contact with each other and in our in-person counseling area.

The KPERS building was closed to the public between March 23 and May 26. When the building opened back up in late May, we also resumed in-person counseling. We did allow more staff the option of returning to the building but continued to focus on remote working where possible to keep the number of staff in the building to a minimum.

Unfortunately, with the large increase in infections this fall the KPERS building was again closed to the public on November 23. At this time, we have not decided when the building will reopen.

Ultimately, despite the additional logistical and staffing issues we are continuing to complete our statutory duties and serve our members and employers. It’s a less than ideal situation, but we have the infrastructure and internal policies in place to continue working from home while the number of COVID infections makes it unsafe to have our entire staff in the office.

I would be pleased to answer and questions the Committee may have.