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March 15, 2016
9:00 AM
Conference Room 229

To: Senate Committee on Commerce, Consumer Protection & Health
Senator Rosalyn H. Baker, Chair
Senator Michelle N. Kidani, Vice Chair

From: Grassroot Institute of Hawaii
President Keli'i Akina, Ph.D.

RE: HB 2311 -- RELATING TO REPORTING DEATHS TO STATE AGENCIES
Comments Only

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on HB 2311, which authorizes the Department of Health to disclose the names of deceased persons (that have been recorded by the DOH) to other state agencies that maintain official lists of persons and are prohibited by state law from sharing information for the lists.

This bill represents a step forward in the effort to increase accountability and put a stop to both wasteful spending and attempts to defraud the state government by collecting state benefits for deceased individuals. Last year, the Grassroot Institute discovered that between 2010 and 2015, the state of Hawaii paid \$538,519.25 of public pension money to people who were deceased.¹ The figure was based on records obtained from the Employee Retirement System, but ERS employees acknowledge that the actual number may be even higher as they had yet to catch all of the errors from that period.

¹ See "Half Million Dollars of Public Pension Money Paid to Dead People in Hawaii." Grassroot Institute of Hawaii (Oct. 29, 2015). Available at <http://new.grassrootinstitute.org/2015/10/half-a-million-dollars-of-public-pension-money-paid-to-dead-people-in-hawaii/>

Our research indicated that state employees were frustrated by their inability to find data about deceased persons on their rolls. Many were even reduced to checking obituaries for news, and would welcome a process that would make their job easier.

The incidence of such “zombie” payments could be reduced if it were easier for state agencies to obtain information about deceased persons on their rolls, thereby increasing government efficiency and reducing wasteful spending. Moreover, improved record-keeping on deceased individuals should help reduce incidents of fraud and waste across the board, which will help the overall goal of making government more efficient.

Thank you for the opportunity to submit our comments.

Sincerely,
Keli'i Akina, Ph.D.
President, Grassroot Institute of Hawaii

LATE

GRASSROOT

Institute of Hawaii

"FOR IMMEDIATE RELEASE

DATELINE: October 28, 2015, Honolulu, Hawai`i
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Half a Million Dollars of Public Pension Money Paid to Dead People in Hawaii

HONOLULU, HAWAII--Oct. 28, 2015--In a shocking example of outmoded systems leading to government waste, the Grassroot Institute of Hawaii has learned that \$538,519.25 of public pension money was paid to dead people in Hawaii between 2010 and 2015. According to the state's own records, at least 134 deceased persons received over-payments from the Employee Retirement System, with some over-payments in excess of \$50,000. So far, reimbursements are pending.

Dr. Keli'i Akina, President of the Grassroot Institute, said, "Our report shows that we are taking money from the living to pay for the dead. Shining a light on wasteful spending is in the best interest of public pension members and Hawaii's taxpayers."

The Grassroot Institute obtained the information through an open records request to the Employee Retirement system. The report, which can be found on OpenHawaii.org, showed that in 2013, \$207,656 was overpaid to the deceased beneficiaries; and in 2014, the number was \$138,221. However, the real number is likely to be much higher, as the Employee Retirement System acknowledges that it hasn't yet caught all of the errors.

Dr. Akina said, "It may be difficult for the State of Hawaii to know if a member of the pension fund has passed away, especially if the individual has left the state, or moved to another country. Hawaii's taxpayers continue to pay this enormous cost as we close the gap on the public pension unfunded liability crisis."

Hawaii's unfunded pension liability is \$8.5 billion, which puts taxpayers on the hook for \$21,272 per household.

Wesley Machida, State Finance Director responded in a written statement to the Grassroot Institute, "The half a million dollars of pension overpayments are due entirely to the untimely reporting of a retirant's or beneficiary's passing. Within the past year, the State of Hawai'i Employees' Retirement System (ERS) has improved its efforts to identify overpaid pensions by working with the Department of Health, State of Hawai'i. A national company is also used to identify retirees and beneficiaries who are deceased. The ERS also reviews daily obituaries and receives communications from family members and friends. While there could be others not reported, the likelihood of these occurrences are minimized with the increased efforts of the ERS."

Wesley Machida continued, "It can be difficult to identify pensioners or beneficiaries who passed away when there are no surviving family members and /or if the retirant or beneficiary lives out of state or out of the country. In addition, family members and friends may not report the passing for several months, following the discovery of retirement documents while closing out the decedent's estate."

Wesley Machida concluded, "The ERS currently pays out more than \$1.1 billion per year in pension benefits to more than 44,000 retirees and beneficiaries."

The Grassroot Institute of Hawaii will continue to research public pension abuse, and publish transparency data on OpenHawaii.org as this story unfolds. Hawaii's citizens should also keep in mind that record-keeping in this area wouldn't be such an issue if government employees were enrolled in 401(k)-style retirement plans rather than the antiquated defined-benefit plans provided to government workers currently.