

Statement of Reasons for Dismissing a Complaint  
Alleging United Auto Workers  
Improperly Imposed a Trusteeship over its Subordinate  
Local 2426

The Department of Labor (Department) received a complaint on October 14, 2021, alleging that United Auto Workers (International) imposed a trusteeship over its subordinate body, Local 2426 (local or Local 2426), on or around May 26, 2021. The complaint further alleged that the trusteeship was not imposed for a purpose allowable under Title III of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA), 29 U.S.C. § 462.

Section 302 provides the circumstances under which a trusteeship may be imposed. A trusteeship shall be established and administered by a labor organization over a subordinate body for the purpose of correcting corruption or financial malpractice, assuring the performance of collective bargaining agreements or other duties of a bargaining representative, restoring democratic procedures, or otherwise carrying out the legitimate objects of such labor organization. 29 U.S.C. § 462. A trusteeship imposed for one of these purposes, and in accordance with the union's constitution and bylaws, is presumed valid for eighteen months from its imposition and not subject to attack during that period except upon clear and convincing proof that the trusteeship was not established or maintained in good faith for a purpose allowable under section 302. 29 U.S.C. § 464(c).

The International Constitution reiterates Section 302 with regard to the purposes for imposing a trusteeship and specifies the procedure for imposing a trusteeship. Art. XII, Section 3. Specifically, "the International Executive Board by a two-thirds (2/3) vote of entire Executive Board may, ... suspend any officer or officers from office and/or take over supervision of the chartered subordinate body until its affairs have been properly adjusted. In such event, the Board shall designate one of its members as administrator who shall have full authority over and supervision of all functions of the Local Union and may suspend any or all officers and officials of the Local Union and take over their functions either as directed by the Board or in her/his own discretion where s/he believes it necessary to accomplish the purposes of the administratorship."

The complaint specifically alleged that the local's failure to wind down and terminate Local 2426's Security Plan was not an allowable purpose for imposing a trusteeship over the local under Section 302. The Department's investigation disclosed that the Security Plan was originally a multi-employer benefits plan established in the 1960's known as the 26 Security Plan at that time. Six trustees presided over the administration of the multi-employer plan, three representing the employer and three representing the union. Over the years, employers left that plan and by 2013 only one employer, [REDACTED], remained, and that employer advised it would only be providing supplemental life insurance, which is not jointly administered or funded.

In March 2017, ██████ contacted International Representative ██████ informing him it would no longer pay Local 2426 “budget payments,” monies to offset administrative costs. This was the first time the International learned of such payments made directly to Local 2426. The International directed the local to not request or accept any further budget payments from ██████ and ordered the local to freeze its bank accounts while the International conducted an audit of the local’s bank accounts. In April 2017, the International, at its own expense, hired an attorney specializing in Taft-Hartley cases to assist the local in “winding down” the 26 Security Plan; that is, to calculate the balance of the fund, determine who is supposed to receive the remaining balance, and evenly distribute the entire fund amongst the beneficiaries and participants. At that time, there were only eleven remaining retirees, including their spouses, who were withdrawing from the fund.

Despite receiving three written directives from the International to wind down the plan, the local did not wind down the plan at any time. Specifically, by letter dated December 19, 2018, International Representative (IR) ██████ ordered the local to reimburse ██████ for all budget payments made over the years;<sup>1</sup> by letter dated June 21, 2019, IR ██████ notified the local that a trusteeship would result if it failed to comply; and finally by letter dated March 22, 2021, wherein IR ██████ directed the local to terminate the plan or a trusteeship would be imposed. Not only did the local not comply, but it did not attend any meetings the International coordinated with the attorney hired to instruct the local in the method for winding down the 26 Security Plan. On May 26, 2021, after the IEB held a hearing, the International imposed a trusteeship over Local 2426.

The International’s stated purpose in imposing the trusteeship was to assure the performance of a collective bargaining agreement or other duties of a bargaining representative. The local was a co-settler of a jointly administered welfare benefit plan that no longer provided any benefits other than supplemental life insurance for many years. The local and its three Plan representatives were required to wind down and distribute the remaining assets to recipients but failed to do so despite repeated directives from the International. The complaint provides no clear and convincing evidence of the International’s bad faith to overcome this period of presumed validity which ends November 22, 2022.

For the reasons set forth above, the complaint is dismissed.

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<sup>1</sup> Local 2426 refused to reimburse ██████ for budget payments made over the years. Ultimately, at ██████ request, the International paid the reimbursement amount to a charity of ██████ choice.

**U.S. Department of Labor**

Office of Labor-Management Standards  
Suite N-5119  
200 Constitution Ave., NW  
Washington, D.C. 20210  
(202) 693-0143



May 27, 2022

[REDACTED]

Dear [REDACTED]:

This is to advise you of the disposition of your complaint filed with the Secretary of Labor alleging that violations of Title III of the Labor-Management Reporting and Disclosure Act of 1959, as amended (LMRDA), occurred with respect to the imposition of a trusteeship by the United Auto Workers over Local 2426, Suffolk, Virginia.

Pursuant to Sections 304 and 601 of the LMRDA, an investigation was conducted by the Office of Labor-Management Standards. After carefully reviewing the investigative findings, and after consulting with the Solicitor of Labor, we have determined that legal action is not warranted in this case. We are, therefore, closing our file as of this date. The basis for this decision is set forth in the enclosed Statement of Reasons.

Sincerely,

[REDACTED]

Tracy L. Shanker  
Chief, Division of Enforcement

Enclosure

cc: [REDACTED], Associate Solicitor  
Civil Rights and Labor-Management Division

**U.S. Department of Labor**

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Suite N-5119  
200 Constitution Ave., NW  
Washington, D.C. 20210  
(202) 693-0143



May 27, 2022

[REDACTED]

Dear [REDACTED]:

This is to advise you of the disposition of a complaint filed with the Secretary of Labor alleging that violations of Title III of the Labor-Management Reporting and Disclosure Act of 1959, as amended (LMRDA), occurred with respect to the imposition of a trusteeship by the UAW over Local 2426, Suffolk, Virginia.

Pursuant to Sections 304 and 601 of the LMRDA, an investigation was conducted by the Office of Labor-Management Standards. After carefully reviewing the investigative findings, and after consulting with the Solicitor of Labor, we have determined that legal action is not warranted in this case. We are, therefore, closing our file as of this date. The basis for this decision is set forth in the enclosed Statement of Reasons.

Sincerely,

[REDACTED]

Tracy L. Shanker  
Chief, Division of Enforcement

Enclosure

cc: [REDACTED], Associate Solicitor  
Civil Rights and Labor-Management Division