



News Release

U.S. Department of Labor
Office of Public Affairs
Washington, D.C.
USDL 04-394-NAT

For Immediate Release
March 15, 2004
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Labor Department Obtains \$2.4 Million Judgment Against Union Labor Life Insurance Company And Investment Manager

WASHINGTON — The U. S. Department of Labor has obtained a consent judgment requiring Washington, D.C.-based Trust Fund Advisors (TFA) and Union Labor Life Insurance Co. to pay \$2.4 million in restitution to two Laborers International Union pension funds and civil penalties to the Labor Department.

“This Administration has a strong track record in protecting the benefits promised to America’s workers, and last year we achieved record monetary results totaling \$1.4 billion for retirement, 401(k), health and other programs,” said U.S. Labor Secretary Elaine L. Chao. “The Labor Department’s legal actions in the Union Labor Life Insurance case will restore lost assets to thousands of union workers and make clear that those who manage union funds cannot ignore their fiduciary responsibilities.”

The Labor Department sued the defendants on March 22, 2002, for violating the Employee Retirement Income Security Act (ERISA) when they imprudently used pension assets to purchase and develop a 120-acre tract of raw land in North Las Vegas into saleable building lots in 1995. The suit also alleges that Union Labor Life Insurance and TFA failed to properly investigate the merits of the real estate project and, ultimately, abandoned it in 1997 without selling any lots. The funds suffered losses when the property was sold in June 1999 for less than the amount of the investment.

TFA was the investment manager to the two funds sponsored by the Laborers International Union – the National Industrial Pension Fund and the Local Union and District Council Pension Fund. TFA hired Union Labor Life Insurance as a qualified professional asset manager to handle all real estate investments made on behalf of the funds.

The National Industrial Pension Fund covered 46,508 participants and the Local Union and District Council Pension Fund covered 7,106 participants as of January 2002. The funds had cumulative assets in excess of \$1.1 billion.

The judgment, filed in federal district court in Washington, D.C., resulted from an investigation conducted by the Philadelphia regional office of the department’s Employee Benefits Security Administration.

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(Chao v. Trust Fund Advisors)
Civil Action No. 02-00559