

News Release



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Labor Department Obtains \$4.875 Million Settlement For Plans Invested With Oregon Investment Manager

WASHINGTON—The U. S. Department of Labor has filed settlement agreements providing for restitution of \$4.875 million to 12 pension and welfare plans in California, Nevada and Utah that invested plan assets in risky private placement schemes with Capital Consultants LLC. The consent orders also require payment of \$975,000 in civil penalties to the government.

"The hardworking men and women whose plans invested with Capital Consultants trusted the plan fiduciaries to protect and preserve their union-sponsored pension and health benefits. The Labor Department's legal actions in these Capital Consultants' cases will restore more than \$4.8 million in lost assets to pay benefits to thousands of union workers," said U.S. Secretary of Labor Elaine L. Chao. "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."

The proposed court orders also impose reforms in the controls and procedures related to investments by the plans. These changes include specific requirements for selecting and contracting with investment managers, implementing written investment guidelines and communicating with plan fiduciaries.

The settlements resolve five lawsuits alleging that the trustees violated the Employee Retirement Income Security Act (ERISA) by imprudently authorizing plan assets to be invested in a series of risky private placement investments managed by Capital Consultants. The suits contend the trustees failed to adequately investigate the merits of making the investments on behalf of the plans. In addition, the trustees did not monitor the investments and failed to follow the plans' investment guidelines.

Capital Consultants, LLC was a registered investment manager that provided investment services to more than 60 primarily union-sponsored pension, health and welfare plan clients governed by federal employee benefits law. Based on the efforts of the court-appointed receiver and settlement of private suits, the receivership has accumulated more than \$250 million. In April 2002, the department sued trustees of 10 union plans in Oregon, Idaho and Colorado for authorizing imprudent investments. Since then, the department sued the trustees of nine plans in Colorado, Ohio and Minnesota for similar violations.

The settlements cover more than 17,000 participants and beneficiaries of the: Shopmen's Iron Workers Health & Welfare Trust Fund and Retirement Plan of Southern California Pasadena, Calif. in *Chao v. Eckert*; Utah Carpenters and Cement Masons Pension Trust and Health and Welfare Trust of Salt Lake City, Utah in *Chao v. Eyre*; Teamsters Local 533 Health & Welfare Trust Fund and Vacation Savings Trust of Reno, Nev. in *Chao v. Martino*; Northern Nevada Laborers Health & Welfare Trust Fund and Pension Fund, and Construction Workers Vacation Savings Plan in Reno, Nev. in *Chao v. Rusnak*; and the Carpenters Health Insurance Fund, Pension Fund and Savings Plan of Northern Nevada of Reno, Nev. in *Chao v. Wiggins*. The 12 plans had approximately \$216 million in assets as of 2001.

The Los Angeles and San Francisco regional offices of the department's Employee Benefits Security Administration investigated the cases. Employers and workers can reach the Los Angeles office at (626) 229-1000, the San Francisco office at (415) 975-4600, or call EBSA's toll-free number, **1-866-444-3272**, for help with problems relating to private-sector health and pension plans.

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(Chao v. Eckert) Civil Action No. CV04-1898 DDP (Ex)
(Chao v. Martino) Civil Action No. CV-N-04-0135-HDM-RAM
(Chao v. Eyre) Civil Action No. 2:04CV 00262 TC
(Chao v. Rusnak) Civil Action No. CV-N-04-0134-DWH-VPC
(Chao v. Wiggins) Civil Action No. CV-N-04-0136-ECR-RAM

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