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Bush Administration Sues Seven Union Pension and Health Plans for Mismanagement

Department of Labor (DOL) says risky investment plans with Oregon investment manager suffered substantial losses and jeopardized the benefits of more than 19,000 workers.

WASHINGTON – Today the U.S. Department of Labor sued the trustees of seven union pension and health insurance plans for irresponsibly investing fund assets with Oregon-based Capital Consultants LLC, a private investment management firm.

The seven plans covered over 19,000 workers and controlled approximately \$793 million in assets as of April 30, 2002. As a result of LLC's investments, the plans have suffered heavy losses that threaten to reduce or eliminate benefits entirely. The scandal leaves some in Washington wondering whether the workers could have done better with their retirements by themselves and without union "assistance."

"The unions' actions in this matter defy all standards of prudence," said taxpayer advocate Grover Norquist, who heads Americans for Tax Reform (ATR) in Washington, DC. **"When the government has to sue unions over fiscal discipline, something is seriously wrong."** ATR is a leading voice in giving union and non-union workers control over their pension plans.

Capital Consultants LLC (CCL) was a registered investment management firm that provided investment services to more than 60 primarily union-sponsored pension, health, and welfare plan clients governed by federal employee benefits law. In 2000, the DOL and the Securities and Exchange Commission (SEC) sued CCL for investing plan funds in a series of imprudent loans, self-dealing, and charging exorbitant fees.

The Labor Department has filed five separate lawsuits contending that the trustees violated the Employee Retirement Income Security Act by authorizing plan assets to be invested in a series of risky private placement investments, organized by CCL.

"The S&P 500 is up almost 25% this year to date," continued Norquist, "and had these workers invested in simple index funds they'd be well off now. The law needs to come down hardest against those who mismanage these plans, but reformers should also look at moving toward defined contribution pensions, to give workers direct control over their retirements," he concluded.

Americans for Tax Reform (ATR) is a non-partisan coalition of taxpayers and taxpayer groups who oppose all federal, state and local tax increases. For more information or to arrange an interview, please contact Jonathan Collegio at (202) 785-0266 or at jcollegio@atr.org.