



Final Rule on Form T-1: Union Trust Reporting

Enhancing Transparency for Workers

Summary

- ✓ On September 30, 2008, the Department of Labor posted on its Web site at www.olms.dol.gov a final rule that enhances financial reporting and provides union members with more complete information about union finances held in union trusts. This final rule will better protect union members' rights to transparency and accountability under the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). The final rule will be published in the *Federal Register* on October 2, 2008.
- ✓ This final rule builds on the administration's commitment to transparency and accountability for corporations, pension funds, and labor unions. Union members, no less than investors and consumers, expect access to relevant and useful information in order to make fundamental investment, career, and retirement decisions, evaluate options, and exercise legally guaranteed rights.

What Are Union Trusts and Why is This Reporting Necessary?

- ✓ Union trusts are established and maintained primarily to provide benefits to union members and/or their beneficiaries. Common examples include credit unions, strike funds, redevelopment or investment groups, training funds, apprenticeship programs, building funds, and educational funds.
- ✓ Labor unions increasingly conduct large-scale financial transactions through these trusts, many of which may operate outside the reach of current disclosure or accountability safeguards.
- ✓ The final rule achieves the Department's statutory obligations under the LMRDA to provide union members with meaningful information about the financial activities and priorities of their unions. This rule does not prohibit any expenditure. The transparency requirement allows union members to monitor their union's affairs and make informed choices about the leadership and direction of their union. This transparency helps ensure that union leaders allocate financial resources in the interest of rank-and-file union members.
- ✓ These are examples of embezzlement and other improper diversions of trust assets that the transparency required under Form T-1 is designed to address:
 - 1) five individuals were charged with conspiring to steal over \$70,000 from a local's severance fund;
 - 2) two local labor organization officials confessed to stealing about \$120,000 from the local's job training funds;
 - 3) a local labor organization president embezzled an undisclosed amount from the local's disaster relief fund;

- 4) an employee of an international labor organization embezzled over \$350,000 from a job training fund;
- 5) a former international officer, who had also been a director and trustee of a labor organization benefit fund, was convicted of embezzling about \$100,000 from the labor organization's apprenticeship and training fund;
- 6) a former officer of a national labor organization was convicted of embezzling about \$15,000 from the labor organization and about \$20,000 from the labor organization's welfare benefit fund; and
- 7) a former training director of a labor organization's pension and welfare fund was charged and convicted of receiving gifts and kickbacks from a vendor that provided training for labor organization members.

What Must Be Reported and What Trusts Are Covered?

- ✓ The Form T-1 uses the same basic template as the Form LM-2, which has been in effect since January 1, 2004, and which unions have experience filing. Both forms require labor unions to provide meaningful disclosure relating to financial operations of the union and covered trusts (e.g., amounts, purposes, and sources of disbursements and receipts).
- ✓ The Department limited the burden on smaller unions that are unlikely to have significant funds in LMRDA-covered trusts. Only labor unions with total annual receipts of \$250,000 or more will need to file a Form T-1.
- ✓ To be covered, the trust must be established by a union or have a governing body that includes at least one member selected by a union, and, as a primary purpose, provide benefits to the members of the union or their beneficiaries. Also, a union, alone or in combination with other unions, must appoint or select a majority of the members of the trust's governing board; or the union's contribution to the trust, alone or in combination with other unions, must represent greater than 50% of the trust's receipts during the trust's fiscal year.
- ✓ Under the final rule, the union's contribution includes contributions by employers made on behalf of the union or its members pursuant to a collective bargaining agreement.
- ✓ The rule also provides that unions will *not* be required to file a Form T-1 for:
 - 1) A political action committee, if publicly available reports on the committee are filed with appropriate federal or state agencies;
 - 2) Any political organization for which reports are filed with the IRS under 26 U.S.C. 527;
 - 3) Any covered trust for which an independent audit has been conducted, in accordance with standards set forth in the final rule (in which case, a copy of the independent audit along with just the first page of Form T-1 will be filed);
 - 4) Federal employee health benefit plans subject to the provisions of the Federal Employees Health Benefits Act; and
 - 5) Entities that are required to file a Form 5500 with the Employee Benefits Security Administration.