

News Release



U.S. Department of Labor
Office of Public Affairs
Washington, D.C.
USDOL 03-350

For Immediate Release
Date: June 26, 2003
Contact: Lisa Kruska
Phone: (202) 693-4676

U. S. Labor Department Sues Enron, Executives and Plan Officials For Failing to Protect Workers

WASHINGTON— Secretary of Labor Elaine L. Chao announced that the department today sued Enron Corporation, former chief executive officers Kenneth L. Lay and Jeffrey K. Skilling, the former board of directors, and the former administrative committee for Enron's retirement plans for failing to prudently protect Enron workers' retirement assets invested in the stock of Enron. More than 20,000 participants in the savings and employee stock ownership plans experienced a substantial erosion of their retirement assets due to the drop in the value of Enron stock owned by the plans.

“Today, the Department of Labor is filing suit in federal district court in Houston, Texas to recover losses that Enron employees suffered due to the mismanagement of two of Enron's pension plans. This action will strengthen the American workforce's confidence in their retirement savings,” said Secretary Elaine L. Chao. “As I said when we opened our investigation ‘Enron's employees have gotten the short end of the stick in the collapse of this company, and we are committed to doing everything we can to help them.’ This lawsuit keeps that commitment.”

The suit names as defendants former board of directors Lay, Skilling, Robert A. Belfer, Norman P. Blake Jr., Ronnie C. Chan, John H. Duncan, Wendy L. Gramm, Ken L. Harrison, Robert K. Jaedicke, Charles A. LeMaistre, John Mendelsohn, Paulo V. Ferraz Pereira, Frank Savage, John Wakeham, and Herbert S. Winokur Jr; and former administrative committee members James S. Prentice, Roderick J. Hayslett, Tod A. Lindholm, Cindy K. Olson, Sheila D. Armsworth and Paula H. Rieker.

The Secretary's lawsuit alleges that the defendants violated the Employee Retirement Income Security Act (ERISA) when they failed to consider the prudence of Enron stock as an appropriate investment for the retirement plans and did nothing to protect the workers and retirees from extensive losses.

Enron, Lay, Olson and Lindholm withheld information about Enron's financial condition from other plan officials. The board of directors failed to properly appoint and monitor a trustee to oversee the Employee Stock Ownership Plan (ESOP), leaving the ESOP participants without this legally required fiduciary to protect them. The administrative committee members ignored the repeated warning signs of the corporation's financial troubles, ignored the fact that the stock plummeted in value throughout 2001 and failed to consider reducing or eliminating the plan's investments in Enron stock. Lay also is charged with misrepresenting Enron's financial condition to employees and plan officials.

The suit, filed in federal district court in Houston, seeks a court order requiring the defendants to restore to the plans all losses with interest, forfeit their right to benefits from the plans and permanently bar them from serving as fiduciaries to any plan governed by ERISA.

The suit resulted from a comprehensive investigation conducted by the Dallas regional office of the department's Employee Benefits Security Administration and the Office of the Solicitor. In the course of that investigation, the department has collected and reviewed over 2.5 million pages of documents, questioned 110 witnesses and issued 78 subpoenas.

###