



U.S. Department of Justice

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THIRD-PARTY ADMINISTRATOR PLEADS GUILTY TO DEFRAUDING PENSION PLANS AND TO EMBEZZLING FROM PENSION AND WELFARE PLANS

ROCKFORD -- PATRICK J. FITZGERALD, United States Attorney for the Northern District of Illinois, GORDON S. HEDDELL, Inspector General of the United States Department of Labor, ANN L. COMBS, Assistant Secretary of Labor for Employee Benefits Security Administration, and JAMES VANDERBERG, Special Agent-In-Charge of the Chicago Region of the Office of Inspector General, Office of Labor Racketeering and Fraud Investigations, today made the following announcement:

MICHAEL G. LINDER, 60 (DOB: 8/14/45), of Crete, Illinois pleaded guilty today in federal court in Rockford to an information charging him with defrauding eleven union local pension funds of \$5,000,000 and with embezzling \$1,930,154 from five union local pension and health and welfare plans. The pension and health and welfare plans that were victimized included those of the Ironworkers Local 498 located in Rockford, Illinois.

According to the plea agreement, Linder was the President of Joseph/Anthony and Associates, Inc. ("Joseph/Anthony"), a corporation located in Matteson, Illinois. Joseph/Anthony was a third-party administrator for pension plans of various union locals, including Ironworkers Locals 111 (Rock Island), 112 (East Peoria), 136 (also referred to as Machinery Movers Local 136 in River Grove), 380 (Urbana), 465 (Kankakee), and 498 (Rockford), Sheet Metal Workers Locals 218(D) (Decatur) and 218(S) (Springfield), Plumbers and Pipefitters Locals 149 (Savoy) and 612 (DeKalb), Painters District Council Local 58 (Collinsville), and Plasterers and Cement Masons Local 18 (Peoria). Joseph/Anthony was also a third-party administrator for health and welfare benefit plans of Machinery Movers Local 136 (River Grove) and Ironworkers Local 498 (Rockford).

Linder admitted to defrauding the union local pension plans by recommending to the trustees of the plans that they change their investments to mutual funds being administered by Nationwide Life Insurance Company ("Nationwide"). However, instead of causing the plans' assets to be invested in mutual funds, Linder caused the assets to be invested with Nationwide in group annuity contracts. Under those contracts and Joseph/Anthony's own contract with Nationwide, Joseph/Anthony and another corporation operated by Linder received \$5 million in fees and commissions. In the plea agreement, Linder admitted that he either did not disclose to the trustees of the plans that he would receive the fees and commissions, or that he disclosed the fees and commissions to a single trustee but not to the

board of trustees. Linder admitted that he signed and forged the names of some of the trustees on the group annuity contracts with Nationwide to hide the fact that the plans had entered into the contracts.

According to the plea agreement, Linder embezzled over \$1.9 million from three pension plans and two health and welfare plans. Linder admitted that he set up bank accounts for each plan to be used to pay premiums on life insurance or stop-loss insurance policies. Linder then billed each plan purportedly for the insurance premiums that were due. However, the amount billed exceeded the actual amount of premiums that were due and owing, and Linder secretly siphoned off the excess amounts.

Ann L. Combs, Assistant Secretary of Labor, commented on the case, "The defendant defrauded workers and their families out of millions of dollars in pension and welfare benefit assets. This case sends a clear message that theft of employee benefit plan assets is a serious crime that will be prosecuted to the full extent of the law."

On December 10, 2004, Linder pleaded guilty to providing graft in the form of a Harley-Davidson motorcycle valued at \$19,808.10 to Thomas C. Kisting, a former business agent of Ironworkers 498 in Rockford and plan administrator for its pension funds, and graft in the form of a Harley-Davidson motorcycle valued at \$19,060 to Fred Schreier, the former president of Machinery Movers Local 136 and a trustee of its benefit plans. In the previous plea agreement, Linder admitted that he gave the motorcycles to the union officials because of their decisions and duties relating to the union locals' pension funds. Linder has not yet been sentenced for those offenses.

United States District Judge Philip G. Reinhard set sentencing of Linder for November 17, 2006, at 1:30 p.m. Each mail fraud charge carries maximum penalties of 20 years in prison and a \$10,000,000 fine. Each embezzlement charge carries maximum penalties of 5 years in prison and a \$250,000 fine. The actual sentence will be determined by the United States District Court, guided by the federal Sentencing Guidelines and the Federal Rules of Criminal Procedure. Linder will not be eligible for parole.

The case was investigated by the Chicago offices of the Department of Labor, Office of Labor Racketeering and Fraud Investigations, and the Employee Benefits Security Administration. The investigation has led to three other individuals being charged: Kisting, Schreier, and Michael J. Brdecka. Kisting was convicted of receiving graft (a motorcycle) by a jury, and Schreier pleaded guilty to receiving graft (a motorcycle). Brdecka pleaded guilty to paying \$9,700 in graft to Linder because of Linder's decisions relating to pension and health and welfare plans. All of the cases have been prosecuted in federal court by Assistant United States Attorney JOHN G. McKENZIE.

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