

# News Release



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## **Labor Department Removes Plumbers' Union Pension Fund Trustees, Collects \$10.98 Million for Worker Retirement**

**WASHINGTON --** The U. S. Department of Labor filed a consent order on Aug. 2, 2004, ousting four trustees from the board of the Plumbers and Pipefitters National Pension Fund and requiring them to pay \$10.98 million in restitution and civil penalties in connection with the imprudent management of the fund's investment in the Diplomat Resort and Country Club in Hollywood, Fla.

"The Plumbers trustees mismanaged the investment and placed the retirement benefits of thousands of union workers at risk," said U. S. Secretary of Labor Elaine L. Chao. "Our legal action recovered nearly \$10 million for workers in the Plumbers pension plan. Last year, the Administration achieved record monetary results recovering a total of \$1.4 billion for retirement, 401(k), health and other programs."

The settlement resolves allegations against pension trustees Martin J. Maddaloni, President of the United Association of Journeymen and Apprentices of the Plumbing and Pipefitters Industry of the United States and Canada; Thomas Patchell, General Secretary-Treasurer of the Plumbers union; Charles H. Carlson, former Chairman of Industrial Piping Company; James A. House, part owner of, J. A. House, Inc., a bankrupt refrigerant manufacturing corporation; and Patrick Perno, administrative assistant to the general president of the Plumbers union. In addition to paying restitution, Maddaloni and Patchell have permanently resigned their positions as trustees for the fund and the six other ERISA-covered plans they currently serve as fiduciaries. Carlson and House have resigned permanently as trustees. Perno, who became a trustee after the project was initiated, may continue to serve as a trustee of the fund, but will recuse himself from any decision concerning the investment of the assets until Dec. 31, 2006. The federal district court in Ft. Lauderdale, Fla. must approve the settlement.

The Labor Department sued the trustees in September 2002 for violating the Employee Retirement Income Security Act (ERISA) when they imprudently proceeded with the Diplomat project without conducting the analysis required to make an informed decision. The suit also alleged that the trustees failed to maintain adequate financial controls over construction costs and paid excessive fees to service providers on the project. Additional funds also have been recovered for the plan by Independent Fiduciary Services, Inc., (IFS), an independent fiduciary appointed in 2000 pursuant to an agreement with the Secretary. That agreement appointed an independent fiduciary to manage the Diplomat project. IFS is continuing to pursue additional claims against subcontractors and service providers involved in the Diplomat project.

The settlement resulted from an investigation conducted by the Atlanta regional office of the Employee Benefits Security Administration (EBSA). Employers and workers can contact a regional EBSA office at its toll free number, **1-866-444-3272**, for help with any problems relating to private-sector pension and health plans.

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(Chao v. Maddaloni)  
Civil Action No. 02-61289CIV

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