



# UNITED STATES ATTORNEY'S OFFICE

## *Southern District of New York*

U.S. ATTORNEY PREET BHARARA

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### **LIRR RETIREE PLEADS GUILTY IN CONNECTION WITH MASSIVE DISABILITY FRAUD SCHEME**

*Defendant Also Pleads Guilty To Perjury*

Preet Bharara, the United States Attorney for the Southern District of New York, announced today that GARY SATIN, a former electrician with the Long Island Railroad ("LIRR"), pled guilty to federal charges in connection with his participation in a massive fraud scheme in which LIRR workers claimed to be disabled upon early retirement so that they could receive disability benefits to which they were not entitled. SATIN also pled guilty today to perjury for making false statements to the grand jury that was hearing evidence in this case. SATIN pled guilty before U.S. Magistrate Judge Henry Pitman.

Manhattan U.S. Attorney Preet Bharara said: "The money train has come to a halt for Gary Satin, as it will for others. It was corruption not coincidence that caused Gary Satin's purportedly disabling condition to align with his early retirement, making him eligible for annual benefit payments that almost matched his salary. As he acknowledged today, his disability and its timing were part of a pre-planned scam designed to game the system. What's worse, in an effort to cover-up his fraud, he lied to a grand jury. He will now answer for his crimes."

According to the Complaint and the superseding Information filed today in Manhattan federal court:

#### *The LIRR Disability Fraud Scheme*

The Railroad Retirement Board ("RRB") is an independent U.S. agency that administers benefit programs, including disability benefits, for the nation's railroad workers and their families. A unique LIRR contract allowed employees to retire at the relatively young age of 50 – the age of eligibility has since changed to 55 - if they had been employed by the LIRR for at least 20 years. Eligible employees are entitled to receive an LIRR pension, which is a portion of the full retirement payment for which they are eligible at 65. At 65, they then receive a full RRB pension. For LIRR workers who retired at 50, they would receive less than their prior salary and substantially lower pension payments than those to which the workers would be entitled at 65. However, LIRR employees who retired and claimed disability could receive a disability payment from the RRB on top of their LIRR pension, regardless of age. A retiree's LIRR pension, in combination with RRB disability payments, can be roughly equivalent to the base salary earned during his or her career.

Hundreds of LIRR employees have exploited the overlap between the LIRR pension and the RRB disability program by pre-planning the date on which they would falsely declare themselves disabled so that it would coincide with their projected retirement date. These false statements, made under oath in disability applications, allowed LIRR employees to retire as early as age 50 with an LIRR pension, supplemented by the fraudulently obtained RRB disability annuity. From 2004 through 2008, 61% of LIRR employees who stopped working and began receiving RRB disability benefits were between the ages of 50 and 55. In contrast, only 7% of employees at Metro-North who stopped working and received disability benefits during the same time period were between the ages of 50 and 55.

#### *SATIN's Fraud*

GARY SATIN was an LIRR electrician who retired in June 2005 at the age of 55. In his last year of employment, SATIN received approximately \$84,000 in compensation. After retirement, he sought and obtained sickness and disability benefits from the RRB. In 2010, he received approximately \$32,000 in LIRR pension payments and approximately \$36,000 from his RRB disability annuity, for a total of \$68,000 in annual benefits.

In applying for disability benefits, SATIN claimed that he was unable to perform his railroad job and that indoor and outdoor chores were "difficult." However, as SATIN admitted during today's proceeding, no medical condition prevented him from performing his railroad job. Instead, SATIN had pre-planned his false disability to supplement his retirement income. In fact, in the 18 months prior to his retirement, SATIN did not take a single day of sick leave, and in the five months prior to his retirement, he worked approximately 154 overtime hours. In the years after his retirement, SATIN performed landscaping, contracting, and electrical work for pay. SATIN also exploited his false disability to obtain other benefits to which he was not entitled, such as a handicapped parking pass from New York State, claiming that his disability "severely limited" his "ability to walk."

#### *SATIN's Perjury*

On April 28, 2011, SATIN appeared before a grand jury in the Southern District of New York. After swearing to tell the truth, and after having been advised of his rights and his obligation to provide truthful testimony, SATIN intentionally provided false and misleading testimony on material matters, including falsely denying that he performed landscaping, contracting, and electrical work post-retirement.

#### *The Voluntary Disclosure and Disposition Program*

On May 22, 2012, the U.S. Attorney's Office, in conjunction with the RRB and the LIRR, announced a voluntary disclosure and disposition program. Under the program, the U.S. Attorney's Office will agree not to prosecute, or file a civil action against, any LIRR retiree who voluntarily comes forward and admits that he or she obtained RRB disability benefits by making false and/or misleading statements to the RRB, and agrees to give up his or her right to certain RRB disability benefits. In addition, the RRB will agree not to commence any administrative proceedings seeking the repayment of any disability benefits that are the subject of this program, and the LIRR will agree not to seek forfeiture of LIRR Company Pension Plan(s) benefits. Under the Early Version of the program, any participating LIRR retiree will give up his or her right to

future disability benefits, while under the Standard Version of the program, any participating LIRR retiree will give up not only future disability benefits, but 50% of the RRB disability benefits he or she has already received. The deadline for the Early Version of the program is September 14, 2012. The deadline for the Standard Version of the program is October 15, 2012.

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SATIN, 63, of Mooresville, North Carolina, pled guilty to one count of conspiracy to defraud the U.S. RRB and to commit health care fraud, mail fraud, and the submission of false claims, and one count of perjury. Each count carries a maximum sentence of five years in prison.

Manhattan U.S. Attorney Bharara praised the RRB-OIG, the FBI, and the MTA-OIG for their outstanding work in the investigation, which he noted is ongoing. He also acknowledged the previous investigation conducted by the New York State Attorney General's Office into these pension fraud issues.

In addition to SATIN, 21 people have been charged in connection with the LIRR disability fraud scheme. They include two doctors and an office manager for one of the doctors who were involved in falsely diagnosing retiring LIRR workers as disabled, two "facilitators" who served as liaisons between retiring workers and the participating doctors, and 17 LIRR retirees, one of whom was also charged as a facilitator. The charges against the defendants are allegations and they are presumed innocent unless and until proven guilty.

The Office's Complex Frauds Unit is handling the case. Assistant U.S. Attorneys Justin Weddle, Danya Perry, and Daniel Tehrani are in charge of the prosecution.

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