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Southern District of New York

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FORMER U.S. RAILROAD RETIREMENT BOARD REPRESENTATIVE SENTENCED IN MANHATTAN FEDERAL COURT TO FIVE YEARS IN PRISON FOR HER ROLE IN LIRR FRAUD SCHEME

Preet Bharara, the United States Attorney for the Southern District of New York, announced today that MARIE BARAN, a former employee of the United States Railroad Retirement Board (“RRB”), was sentenced today in Manhattan federal court to five years in prison for her role in the massive fraud scheme in which Long Island Railroad (“LIRR”) workers claimed to be disabled upon early retirement so that they could receive disability benefits to which they were not entitled. Between approximately 2007 and 2011, BARAN completed fraudulent disability applications on behalf of at least 188 LIRR clients in exchange for cash payments. Following a three-week jury trial in August 2013, BARAN was convicted of two counts of conspiracy to commit mail fraud, wire fraud, and health care fraud, two counts of conspiracy to defraud the RRB, two counts of health care fraud, two counts of mail fraud, and two counts of wire fraud. She was sentenced today before U.S. District Judge Victor Marrero.

Manhattan U.S. Attorney Preet Bharara stated: “Marie Baran manipulated a safety net for the disabled and took advantage of the federal agency that employed her for decades. In exchange for cash, she helped nearly 200 LIRR employees obtain more than \$75 million based on lies. Today’s sentence ensures that she will now pay for her crimes.”

According to the Complaint, the Superseding Indictments, the evidence at trial, and statements made in court:

The 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. In addition, at full retirement age (between age 60 and age 65 depending on years of service) they are eligible to receive an RRB retirement pension. For LIRR workers who retired at 50 with only an LIRR pension, they would receive less than their prior salary and substantially lower pension payments than those to which they would be entitled at full retirement age. 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 allegedly 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 penalty of prosecution 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 1995 through 2011, more than 75% of LIRR employees stopped working and began receiving RRB disability benefits, whereas during this same period, only 25% of retiring Metro-North employees stopped working and began receiving RRB disability benefits.

BARAN is a former employee of the RRB who, following her retirement from the agency in 2006, began accepting cash payments from LIRR workers to complete fraudulent disability applications on their behalf. Between approximately 2007 and 2011, BARAN helped at least 188 LIRR employees obtain disability benefits to which they were not entitled. In exchange for payments of over \$1000 per employee, BARAN completed fraudulent disability applications on the employees' behalf, fabricating claims of serious physical suffering and decline, and grossly exaggerating the physical demands of the employees' jobs. As a result of this fraud, BARAN's LIRR customers have received approximately \$30 million in RRB disability benefit payments, and the intended losses from her fraud amount to over \$77 million.

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In addition to her prison term, BARAN, 66, of East Meadow, New York, was also sentenced to three years of supervised release. She was also ordered to pay approximately \$31 million in restitution, to forfeit approximately \$31 million, and to pay a \$1000 special assessment.

Thirty-three people have been charged in connection with the LIRR disability fraud scheme, 28 of whom have pled guilty and five of whom were convicted after trial.

Mr. Bharara praised the RRB Office of Inspector General, the Federal Bureau of Investigation, and the Metropolitan Transit Authority - Office of Inspector General 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.

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

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