



UNITED STATES ATTORNEY'S OFFICE

Southern District of New York

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TWENTY-FOURTH DEFENDANT PLEADS GUILTY IN MAHATTAN FEDERAL COURT IN CONNECTION WITH LIRR DISABILITY FRAUD SCHEME

Preet Bharara, the United States Attorney for the Southern District of New York, announced that STEVEN GAGLIANO, a former Long Island Railroad signalman, pled guilty today to charges related to the allegedly massive fraud scheme in which Long Island Rail Road ("LIRR") workers claimed to be disabled upon early retirement so that they could receive disability benefits to which they were not entitled. GAGLIANO pled guilty in Manhattan federal court before U.S. Magistrate Judge Andrew J. Peck. He is the 24th defendant to plead guilty in the case, which alleges a pervasive pattern of fraudulent disability claims being filed with the U.S. Railroad Retirement Board ("RRB") by retiring LIRR employees.

According to the Complaint, the Superseding Indictments, the Superseding Informations, and statements made in other public filings and court proceedings:

The LIRR Disability Fraud Scheme

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. During the period 2004 through 2008, only three doctors were responsible for approximately 86% of the disability claims submitted by LIRR retirees. Of these, one has died and one, Dr. Peter J. Ajemian, has pled guilty and admitted that he declared “large numbers of Long Island Railroad employees” to be disabled even though they were not disabled and could have continued working in their railroad jobs. Dr. Ajemian was sentenced in May 2013 to eight years in prison.

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GAGLIANO, 55, of North Babylon, New York, pled guilty to one count of conspiracy to commit mail fraud, wire fraud, and health care fraud; one count of conspiracy to defraud the United States and the RRB; one count of health care fraud; and one count of wire fraud. He faces a maximum sentence of 55 years in prison, and has agreed to make restitution to the RRB in the amount of \$242,466.73.

Thirty-two people have been charged in connection with the LIRR disability fraud scheme, 24 of whom have now pled guilty. Of the 24 defendants that have pled guilty, two have been sentenced. The charges against the remaining defendants are merely allegations and they are all presumed innocent unless and until proven guilty.

Mr. Bharara praised the work of the RRB Office of the Inspector General, the Federal Bureau Investigation, and the Office of the Inspector General of the Metropolitan Transportation Authority 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 case is being handled by the Office’s Complex Frauds Unit. Assistant U.S. Attorneys Justin Weddle, Nicole Friedlander, and Daniel Tehrani are in charge of the prosecution.

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