



# UNITED STATES ATTORNEY'S OFFICE

## *Southern District of New York*

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### **FORMER UNION OFFICIAL SENTENCED IN MANHATTAN FEDERAL COURT TO EIGHT YEARS IN PRISON FOR HIS ROLE IN LIRR FRAUD SCHEME**

Preet Bharara, the United States Attorney for the Southern District of New York, announced today that JOSEPH RUTIGLIANO, a former LIRR conductor and president of a union local, was sentenced today in Manhattan federal court to eight years in prison for his 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 1999 and 2011, RUTIGLIANO completed fraudulent disability applications on behalf of at least 268 LIRR clients and received over \$400,000 in federal disability benefits based upon his own fraudulent disability application. Following a three-week jury trial, RUTIGLIANO was convicted on August 6, 2013, on all counts with which he was charged, including two counts of conspiracy to commit mail fraud, wire fraud and health care fraud; two counts of conspiracy to defraud the Railroad Retirement Board (“RRB”); three counts of mail fraud; three counts of wire fraud; and one count of making a false statement.

Manhattan U.S. Attorney Preet Bharara said: “Joseph Rutigliano not only defrauded the government out of more than \$400,000 in unentitled benefits by fabricating his own disabilities, he helped hundreds of other LIRR employees bilk the disability benefit system out of more than \$80 million. He will now pay for his crimes with a lengthy term in federal prison and by having to repay the money he defrauded.”

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 (which 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.

RUTIGLIANO is a former LIRR conductor and president of a union local who received fraudulent disability benefits in the scheme, and who was instrumental in helping other LIRR employees receive disability benefits to which they were not entitled. Between approximately 1999 and 2011, RUTIGLIANO received \$409,498 in disability benefits based on a fraudulent disability application in which RUTIGLIANO claimed to suffer from disabilities that made it hard for him to sit, stand, walk, dress himself, bathe himself, or hold a pen for any length of time. At the same time, the evidence showed that in the years RUTIGLIANO collected those benefits, he played hundreds of hours of year-round golf in New York and Florida, and engaged in other physical activities. RUTIGLIANO obtained the fraudulent disability benefits with the help of his co-defendant, the disability doctor Peter J. Lesniewski, who was also convicted at trial, and who provided RUTIGLIANO with false documentation reflecting fabricated physical conditions that purportedly made it impossible for RUTIGLIANO to perform the duties of a train conductor, including walking on trains and collecting tickets from passengers.

In addition to obtaining fraudulent benefits, RUTIGLIANO helped at least 268 other LIRR employees obtain disability benefits to which they were not entitled. In exchange for receiving payments of up to \$1,000 per employee, RUTIGLIANO completed fraudulent disability applications on the employees' behalf, fabricating claims of serious physical suffering and declining health, and grossly exaggerating the physical demands of the employees' jobs. As a result of this fraud, RUTIGLIANO's LIRR customers have received over \$80 million in RRB disability benefit payments, and the intended losses from his fraud amount to over \$102 million.

In addition to his prison term, RUTIGLIANO, 66, of Holtsville, New York, was also sentenced to three years of supervised release. He was also ordered to pay \$82,356,348 in restitution, to forfeit \$82,883,348, and to pay an \$1100 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-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.

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.

