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**FOUR ADDITIONAL LIRR RETIREES PLEAD GUILTY IN
MANHATTAN FEDERAL COURT IN CONNECTION WITH DISABILITY
FRAUD SCHEME**

Preet Bharara, the United States Attorney for the Southern District of New York, announced today that former Long Island Railroad (“LIRR”) employees THOMAS DELALLA, FRANK PLAIA, SHARON FALLOON, and KEVIN NUGENT pled guilty to federal charges in connection with their participation in an alleged 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. DELALLA and PLAIA pled guilty today before U.S. Magistrate Judge Ronald L. Ellis, and FALLOON and NUGENT pled guilty before Judge Ellis on December 27, 2012.

According to the Complaint, the Superseding Indictment, the Superseding Informations, and statements made in other public filings and in 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. 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 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.

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DELALLA, 54, of West Islip, New York, PLAIA, 55, of Hicksville, New York, FALLOON, 58, of North Merrick, New York, and NUGENT, 57, of Port Jefferson, New York, each pled guilty to one count of conspiracy to commit mail, wire, and health care fraud, one count of conspiracy to defraud the United States, one count of making a false claim to the U.S. RRB, one count of health care fraud, one count of mail fraud, one count of wire fraud, and one count of perjury before the grand jury. Each faces a maximum term of 85 years in prison.

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.

Thirty-two people have been charged in connection with the LIRR disability fraud scheme, 12 of whom have now pled guilty. The charges against the remaining defendants are merely allegations and they are all 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, Daniel Tehrani and Nicole Friedlander are in charge of the prosecution.