

*News from the*  
**U.S. Senate Committee on  
Health, Education, Labor and Pensions**

Michael B. Enzi (Wyoming), Chairman



For Immediate Release

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**Wednesday, June 15, 2005**

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***PENSION FUNDS AT RISK TO FRAUD, ENZI TELLS GOVERNORS;  
URGES STATE OFFICIALS TO PROTECT RETIREMENT PLANS***

**Washington, D.C.** – Following up on a pension fraud hearing held, June 9, 2005, U.S. Senator Mike Enzi (R-WY), Chairman of the Senate Health, Education, Labor and Pensions Committee (HELP Committee), today announced that he has sent letters to the governors of all 50 states highlighting the Committee's findings and urging state executives and regulators to be wary of pension fraud schemes.

“Stakeholders on all sides of the pension issue are coming to Congress seeking reforms that will help them get the financial affairs of their pension plans in order,” Enzi said Wednesday. “It is essential that our state governments, like Congress, understand the scope and cause of the troubles plaguing so many plans and be aware that the pension funds due their constituents could be at risk. Facing the issue of pension fraud is one battle we must fight together in order to achieve substantive pension reform.”

The Committee's hearing focused on a Ponzi-like scheme perpetuated by Capital Consultants, LLC, a Portland, Oregon investment manager. Before federal regulators closed Capital Consultants, it lost over \$500 million in pension funds, affecting at least 300,000 pension plan participants and beneficiaries, in what has been called the largest pension fraud in US history.

In his letters to the governors, Enzi provided a summary of the recovery plan used by the attorneys and mediators in the Capital Consultants case. He also outlined the

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HELP Committee's findings from the hearing, which included:

- Pension plans are subject to fraud by a host of individuals, from administrators and third party administrators to investment advisors and other plan fiduciaries;
- Pension plan trustees must be vigilant and meticulous about their fiduciary duties. If plan trustees authorize improper investments, the retirement security of millions can be placed at risk. Enron is an example of what can happen when corporate directors and officers are unaccountable. Capital Consultants showed what can happen when pension fiduciaries break the trust placed in them;
- When victims work together to remedy pension fraud, the results can be impressive. In the case of Capital Consultants, attorneys for plan participants collaborated to mediate a settlement agreement with the law firms, accounting firms, insurance companies and others who enabled the Capital Consultants fraud. Currently, more than \$370 million – approximately 75 percent of the amount originally lost – has been recovered. This recovery effort has been hailed as a model for how to remedy the impact of pension fraud.

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[A copy of one of Senator Enzi's letters follows.]

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## United States Senate

COMMITTEE ON HEALTH, EDUCATION,  
LABOR, AND PENSIONS  
WASHINGTON, DC 20510-6300

June 14, 2005

Governor Dave Freudenthal  
Office of the Governor  
State Capitol Building  
Room 124  
Cheyenne, WY 82002

Dear Governor Dave Freudenthal,

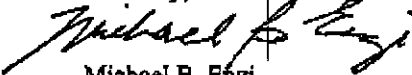
The United States Senate Committee on Health, Education, Labor and Pensions recently held a hearing regarding pension fraud. The hearing focused on a Ponzi-like scheme perpetuated by Capital Consultants, LLC, a Portland, Oregon investment manager. Before federal regulators closed Capital Consultants, it lost over \$500 million in pension funds, impacting at least 300,000 pension plan participants and beneficiaries, in what's been called the largest pension fraud in U.S. history.

Citizens of your state lost money because of the Capital Consultants fraud. As Chairman of the Committee, I want to share some of the lessons learned in an effort to assist you in preventing similar problems in the future. Our hearing showed that:

- Pension plans are subject to fraud by a host of individuals, from administrators and third party administrators to investment advisors and other plan fiduciaries.
- Pension plan trustees must be vigilant and meticulous about their fiduciary duties. If plan trustees authorize improper investments, the retirement security of millions of citizens can be placed at risk. Enron is an example of what can happen when corporate directors and officers are unaccountable. Capital Consultants showed what can happen when pension fiduciaries break the trust placed in them.
- The good news is that when victims work together to remedy pension fraud, the results can be impressive. In the case of Capital Consultants, attorneys for plan participants collaborated to mediate a settlement agreement with the law firms, accounting firms, insurance companies and others who enabled the Capital Consultants fraud. As of this writing more than \$370 million – approximately 75% of the amount originally lost – has been recovered. This recovery effort has been hailed as a model for how to remedy the impact of pension fraud. Attached please find a summary of the recovery plan for your review.

Thank you for your attention to this matter. Witness statements from the June 9, 2005 hearing may be accessed at our committee web site ([help.senate.gov](http://help.senate.gov)). I look forward to working with you to promote retirement security for all Americans.

Sincerely,

  
Michael B. Enzi  
Chairman