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Calendar No. 445

94TH CONGRESS  
1ST SESSION

# S. RES. 302

IN THE SENATE OF THE UNITED STATES

NOVEMBER 18, 1975

Mr. GRIFFIN submitted the following resolution; which was ordered to be placed on the calendar

## RESOLUTION

To establish a select committee of the Senate to conduct an investigation and study the extent, if any, to which criminal or other illegal, improper, or unethical activities are engaged in by any persons acting individually or in combination with others in the field of labor-management relations or in related groups or organizations established for the benefit of employees or employers to the detriment of the interests of the public, employees, or employers.

- 1     *Resolved*, That there is hereby established a select com-
- 2     mittee of the Senate, which may be called, for convenience
- 3     of expression, the Select Committee on Improper Activities
- 4     in the Labor or Management Field, to conduct an investiga-
- 5     tion and study of the extent, if any, to which criminal or
- 6     other illegal, improper, or unethical activities are engaged
- 7     in by any persons, acting individually or in combination



1 with others in the field of labor-management relations or in  
 2 related groups, organizations, insurance, pension, or other  
 3 programs established for the interest, benefit, participation,  
 4 or welfare of employees or employers to the detriment of the  
 5 interests of the public, employees, or employers, and to  
 6 determine whether in its judgment any occurrence which  
 7 may be revealed by the investigation and study indicate the  
 8 necessity or desirability of the enactment of new legislation  
 9 to safeguard and/or strengthen the integrity of labor-man-  
 10 agement relations and the collective-bargaining system.

11 SEC. 2. (a) The select committee created by this resolu-  
 12 tion shall consist of eight Members of the Senate, four of  
 13 whom shall be appointed by the President of the Senate  
 14 from the majority Members of the Senate upon the recom-  
 15 mendation of the majority leader of the Senate, and four of  
 16 whom shall be appointed by the President of the Senate  
 17 from the minority Members of the Senate upon the recom-  
 18 mendation of the minority leader of the Senate. For the pur-  
 19 poses of paragraph 6 of rule XXV of the Standing Rules  
 20 of the Senate, service of a Senator as a member, chairman, or  
 21 vice chairman of the select committee shall not be taken  
 22 into account.

23 (b) The select committee shall select a chairman  
 24 and vice chairman from among its members, and adopt  
 25 rules of procedure to govern its proceedings. The vice chair-

1 man shall preside over meetings of the select committee dur-  
 2 ing the absence of the chairman, and discharge such other  
 3 responsibilities as may be assigned to him by the select  
 4 committee or the chairman. Vacancies in the membership  
 5 of the select committee shall not affect the authority of the  
 6 remaining members to execute the functions of the select  
 7 committee and shall be filled in the same manner as original  
 8 appointments to it are made.

9 (c) A majority of the members of the select committee  
 10 shall constitute a quorum for the transaction of business, but  
 11 the select committee may fix a lesser number as a quorum  
 12 for the purpose of taking testimony or depositions.

13 SEC. 3. That the select committee is authorized and  
 14 directed to do everything necessary or appropriate to make  
 15 the investigation and study specified in the first section.  
 16 Without abridging or limiting in any way the authority con-  
 17 ferred upon the select committee by the preceding sentence,  
 18 the Senate further expressly authorizes and directs the select  
 19 committee to make a complete investigation and study of  
 20 the activities of any and all persons or groups of persons or  
 21 organizations of any kind which have any tendency to  
 22 reveal the full facts in respect to the following matters or  
 23 questions:

24 (a) the disappearance of James R. Hoffa, former  
 25 International President of the International Brotherhood

1 of Teamsters, Chauffeurs, Warehousemen, and Helpers  
2 of America, hereinafter identified as IBT;

3 (b) any and all agreements, promises, commit-  
4 ments, pledges, surity arrangements or agreements or  
5 financial transactions of any nature entered into between  
6 any person or group of persons representing, or author-  
7 ized to represent, acting as consultants or authorized to  
8 act as consultants in any capacity to and/or for the IBT  
9 or any of the IBT pension funds or other welfare and/or  
10 benefit funds associated with, employed by, directed by  
11 or controlled by the IBT or IBT pension or welfare funds  
12 and any other person, group of persons, associations,  
13 partnerships, or corporations, the purpose of which is,  
14 was, or would be to secure or resecure, finance or re-  
15 finance the development, construction, or improvement  
16 of any real estate or real property of any nature;

17 (c) any and all transactions, agreements, loans of  
18 money, or any other item of value or commitments to  
19 loan money or any other item of value, entered into  
20 between any person or group of persons representing or  
21 authorized to represent, acting as consultants or author-  
22 ized to act as consultants in any capacity to and/or for  
23 the IBT or any of the IBT pension funds or other welfare  
24 and/or benefit funds associated with, employed by, di-  
25 rected by, or controlled by the IBT or IBT pension or

1 welfare funds and any person or group of persons, asso-  
2 ciation, partnership, or corporation engaged in business  
3 venture of any nature established for or engaged in gam-  
4 bling or gaming enterprises of any nature, or any busi-  
5 ness venture of any nature established to or engaged in  
6 the manufacture and/or supply of gambling or gaming  
7 paraphernalia;

8 (d) any and all group health and/or accident  
9 insurance policies, or insurance policies or agreements  
10 of any nature entered into by or between any person  
11 or persons with any insurance or reinsurance company  
12 for the benefit of any or all members of the International  
13 Brotherhood of Teamsters, Chauffeurs, Warehousemen,  
14 and Helpers of America;

15 (e) any and all allegations of influence, control, or  
16 domination exercised by any person or group of persons  
17 alleged to be involved in or associated with organized  
18 criminal syndicate activity over the affairs, agreements,  
19 administration, or day-to-day activity or operations of  
20 any person or groups of persons associated together for  
21 the benefit of labor and management organizations;

22 (f) whether the integrity of labor and management  
23 relations is inadequately safeguarded, because of a lack  
24 of appropriate legislation, or because the existing laws of  
25 the United States are inadequate, either in their provi-



1 sion or manner of enforcement, and if so, whether new  
2 legislation should be enacted.

3 SEC. 4. (A) To enable the select committee to make  
4 the investigation and study authorized and directed by this  
5 resolution, the Senate hereby empowers the select commit-  
6 tee as an agency of the Senate—

7 (a) to employ and fix the compensation of such  
8 clerical, investigatory, legal, technical, and other assist-  
9 ants as it deems necessary or appropriate;

10 (b) to sit and act at any time or place during  
11 sessions, recesses, and adjournment period of the Senate;

12 (c) to hold meetings for taking testimony on oath  
13 or to receive documentary or physical evidence relating  
14 to the matters and questions it is authorized to investigate  
15 or study;

16 (d) to require by subpoena or otherwise the attend-  
17 ance as witnesses of any persons who the select commit-  
18 tee believes have knowledge or information concerning  
19 any of the matters or questions it is authorized to in-  
20 vestigate and study;

21 (e) to require by subpoena or order any department,  
22 agency, officer, or employee of the executive branch of  
23 the United States Government, or any private person,  
24 firm, or corporation, or any officer or former officer or  
25 employee of such firm or corporation to produce for its

1 consideration or for use as evidence in its investigation  
2 and study any books, checks, canceled checks, corre-  
3 spondence, communications, documents, papers, physical  
4 evidence, records, recordings, tapes, or materials relating  
5 to any of the matters or questions it is authorized to in-  
6 vestigate and study which they or any of them may have  
7 in their custody or under their control;

8 (f) to make to the Senate any recommendations it  
9 deems appropriate in respect to the willful failure or  
10 refusal of any person to appear before it in obedience to  
11 a subpoena or order, or in respect to the willful failure  
12 or refusal of any person to answer questions or give  
13 testimony in his character as a witness during his appear-  
14 ance before it, or in respect to the willful failure or refusal  
15 of any officer or employee of the executive branch of the  
16 United States Government or any person, firm, or cor-  
17 poration, or any officer or former officer of same, to  
18 produce before the committee any books, checks, can-  
19 celed checks, correspondence, communications, docu-  
20 ments, financial records, papers, physical evidence,  
21 records, recordings, tapes, or materials in obedience to  
22 any subpoena or order;

23 (g) to take depositions and other testimony on oath  
24 anywhere within the United States or in any other coun-  
25 try;

1 (h) to procure the temporary or intermittent serv-  
 2 ices of individual consultants, or organizations thereof, in  
 3 the same manner and under the same conditions as a  
 4 standing committee of the Senate may procure such serv-  
 5 ices under section 202 (i) of the Legislative Reorganiza-  
 6 tion Act of 1946;

7 (i) to use on a reimbursable basis, with the prior  
 8 consent of the United States Government department or  
 9 agency concerned and the Committee on Rules and Ad-  
 10 ministration, the services of personnel of any such de-  
 11 partment or agency;

12 (j) to use on a reimbursable basis or otherwise with  
 13 the prior consent of the chairman of any other of the  
 14 Senate committees or the chairman of any subcommittee  
 15 of any committee of the United States Senate the facili-  
 16 ties or services of any members of the staffs of such other  
 17 Senate committees or any subcommittees of such other  
 18 Senate committees whenever the select committee or its  
 19 chairman deems that such action is necessary or appro-  
 20 priate to enable the select committee to make the investi-  
 21 gation and study authorized and directed by this resolu-  
 22 tion;

23 (k) to have direct access through the agency of any  
 24 members of the select committee, chief majority counsel,  
 25 minority counsel, or any of its investigatory assistants

1 jointly designed by the chairman and the ranking minor-  
 2 ity member to any date, evidence, information, report,  
 3 analysis, or document or papers relating to any of the  
 4 matters or questions which it is authorized and directed  
 5 to investigate and study in the custody and under the  
 6 control of any department, agency, officer, or employee  
 7 of the executive branch of the United States Government,  
 8 having the power under the laws of the United States  
 9 to investigate any alleged criminal activities or to prose-  
 10 cute persons charged with crimes against the United  
 11 States which will aid the select committee to prepare or  
 12 conduct the investigation and study authorized and di-  
 13 rected by this resolution;

14 (l) to procure either through assignment by the  
 15 Rules Committee or by renting such offices and other  
 16 space as may be necessary to enable it and its staff to  
 17 make and conduct the investigation and study authorized  
 18 and directed by this resolution;

19 (m) to expend to the extent it determines neces-  
 20 sary or appropriate any moneys made available to it by  
 21 the Senate to perform the duties and exercise the powers  
 22 conferred upon it by this resolution and to make the  
 23 investigation and study it is authorized by this resolu-  
 24 tion to make.

25 (B) Subpenas may be issued by the select committee



1 acting through the chairman or any other member des-  
 2 ignated by him and may be served by any person desig-  
 3 nated by such chairman or other member anywhere within  
 4 the borders of the United States. The chairman of the select  
 5 committee, or any other member thereof, is hereby au-  
 6 thorized to administer oaths to any witnesses appearing  
 7 before the committee.

8 (C) In preparing for or conducting the investigation  
 9 and study authorized and directed by this resolution, the  
 10 select committee shall be empowered to exercise the powers  
 11 conferred upon committees of the Senate by section 6002  
 12 of title 18 of the United States Code or any other Act of  
 13 Congress regulating the granting of immunity to witnesses.

14 SEC. 5. The select committee shall have authority to  
 15 recommend the enactment of any new congressional legisla-  
 16 tion which its investigation considers it is necessary or desir-  
 17 able to safeguard the integrity and purity of labor-manage-  
 18 ment relations.

19 SEC. 6. The select committee shall make a final report  
 20 of the results of the investigation and study conducted by  
 21 it pursuant to this resolution, together with its findings and  
 22 its recommendations as to new congressional legislation it  
 23 deems necessary or desirable to the Senate and at the earliest  
 24 practicable date, but no later than December 31, 1976. The  
 25 select committee may also submit to the Senate such interim

1 reports as it considers appropriate. After submission of its  
 2 final report, the select committee shall have four calendar  
 3 months to close its affairs, and on the expiration of such four  
 4 calendar months shall cease to exist.

5 SEC. 7. The expenses of the select committee through  
 6 December 31, 1976, under this resolution shall not exceed  
 7 \$1,250,000, of which amount not to exceed \$250,000,  
 8 shall be available for the procurement of the services of  
 9 individual consultants or organizations thereof. Such expenses  
 10 shall be paid from the contingent fund of the Senate upon  
 11 vouchers approved by the chairman of the select committee.

94TH CONGRESS  
1ST SESSION

## S. RES. 302

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### RESOLUTION

To establish a select committee of the Senate to conduct an investigation and study the extent, if any, to which criminal or other illegal, improper, or unethical activities are engaged in by any persons acting individually or in combination with others in the field of labor-management relations or in related groups or organizations established for the benefit of employees or employers to the detriment of the interests of the public, employees, or employers.

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By Mr. GRIFFIN

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NOVEMBER 18, 1975

Ordered to be placed on the calendar





U. S. Senator

# ROBERT P. GRIFFIN

## NEWS

353 Senate Office Building • Washington, D. C. 20510 • 202/224-6221

**FOR RELEASE:** 9:30 a.m. Tuesday, November 18, 1975

U.S. Senator Robert P. Griffin (R-Mich) today called for a Senate Select Committee -- like the McClellan Committee of the late 1950s -- to investigate abuses in the labor-management field.

In remarks prepared for delivery on the Senate Floor, Griffin said:

"In particular, I would expect such a Select Committee to focus on the mysterious disappearance of James R. Hoffa, former President of the International Brotherhood of Teamsters, its implications, if any, for Teamster members and others in the country, as well as a number of serious allegations relating to investment of Teamster pension funds.

"The need is urgent for a McClellan-type investigation which would focus in particular on possible connection between organized crime and some segments of organized labor.

"The existing situation cries out for determined and courageous action by Congress as well as by the Executive branch of government."

The Senate Select Committee on Improper Activities in the Labor Management Field, chaired by Senator John L. McClellan, of Arkansas, extensively investigated mob connections with organized labor from 1957 through 1959.

"It will be recalled that the work of the McClellan Committee culminated in enactment of the Labor-Management Reporting and Disclosure Act of 1959, often referred to as the Landrum-Griffin law," Griffin said.

He noted that circumstances which led to McClellan's bipartisan Select Committee are similar to the situation now.

"The mystery of what happened to Jimmy Hoffa is intriguing. But even more important is the question: Why?" Griffin said.

"If it is true that elements of organized crime do exert considerable influence over investment decisions involving Teamster Pension funds -- perhaps in a way that does not violate existing laws -- it is time that something be done about it -- for the protection of millions of workers who must rely on the integrity of those pension funds in their retirement years," Griffin said.

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NOTE: A copy of Senator Griffin's remarks is attached, along with the earlier materials from September 19, 1975, to which he refers.

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# Congressional Record

PROCEEDINGS AND DEBATES OF THE 94<sup>th</sup> CONGRESS, FIRST SESSION

Vol. 121

WASHINGTON, TUESDAY, NOVEMBER 18, 1975

No. 172

## SENATE RESOLUTION 302—

### SUBMISSION OF A RESOLUTION TO ESTABLISH A SELECT COMMITTEE ON IMPROPER ACTIVITIES IN THE LABOR-MANAGEMENT FIELD

#### HON. ROBERT P. GRIFFIN

OF MICHIGAN

IN THE SENATE OF THE UNITED STATES

*Tuesday, November 18, 1975*

Mr. GRIFFIN. Mr. President, today I present for the Senate's consideration a resolution which would establish a select committee to investigate abuses in the labor-management field.

In particular, I would expect such a select committee to focus on the mysterious disappearance of James R. Hoffa, former president of the International Brotherhood of Teamsters, its implications, if any, for Teamster members and others in the country, as well as a number of serious allegations relating to investment of Teamster pension funds.

The select committee contemplated by this resolution would have jurisdiction and objectives similar to those of the McClellan committee, which did such an outstanding job in the same field back in the 1950's. It will be recalled that the work of the McClellan committee culminated in enactment of the Labor-Management Reporting and Disclosure Act of 1959, often referred to as the Landrum-Griffin law.

I am conscious of the fact, Mr. President, that some of my colleagues may question the need for establishment of

another committee, in light of the fact that two existing committees of the Senate may have jurisdiction. I refer, of course, to the Committee on Labor and Public Welfare and the Government Operations' Subcommittee on Permanent Investigations.

However, I might also point out that similar questions were raised back in 1957, when Congress and the Nation became aroused by widespread reports of improper activities of a similar nature.

Then, as now, there was a conflict or question of jurisdiction as between the same two standing committees of the Senate. In 1957, the conflict was resolved by establishing a bipartisan committee made up of four Democratic and four Republican Senators, which was headed, of course, by the distinguished Senator from Arkansas (Mr. McCLELLAN).

Aside from any possible conflict of jurisdiction as between the two named standing committees, it should be obvious that the comprehensive investigation which is necessary would require the concentrated effort of a dedicated committee over a considerable period of time.

(over)



I doubt that either of two existing committees, would be able at this time to lay aside many other matters as to which they have responsibilities in order to devote the necessary time and attention to this particular investigation.

Fortunately, the precedent of the McClellan committee in the 1950's is available; and I submit that it offers a most appropriate example for the Senate to follow in this situation.

Mr. President, the need is urgent for a McClellan-type investigation which would focus in particular on possible connection between organized crime and some segments of organized labor. The existing situation cries out for determined and courageous action by Congress as well as by the executive branch of Government.

I shall not repeat again the many reports and allegations that have prompted introduction of this resolution. But I call attention to a speech I delivered on the Senate floor printed in the CONGRESSIONAL RECORD for September 19, 1975, beginning at page S16283, together with a number of newspaper articles printed in connection therewith.

Since I delivered the speech, I might say that I have received communications and petitions signed by hundreds of Teamster union members pleading for and supporting such an investigation.

The mystery of what happened to Jimmy Hoffa is intriguing. But even more important is the question: Why?

If it is true that elements of organized crime do exert considerable influence over investment decisions involving Teamster pension funds—perhaps in a way that does not violate existing laws—it is time that something be done about it—for the protection of millions of workers who must rely on the integrity of those pension funds in their retirement years.

Mr. President, I urge my colleagues to move expeditiously to adopt this resolu-

tion, so the committee can get to work. It will have a tough, arduous task to perform, but the sooner it gets started the better for millions of union workers and for the country.

I ask unanimous consent that the text of the resolution be printed at this point in the RECORD, and I send the resolution to the desk and ask unanimous consent that it be placed on the calendar.

Mr. President, in addition I ask unanimous consent to have printed in the RECORD an article which appeared in the November 24, 1975, issue of Newsweek.

The ACTING PRESIDENT pro tempore (Mr. METCALF). Is there objection? The Chair hears none, and it is so ordered.

Mr. GRIFFIN. I thank the Chair.

Mr. McCLELLAN. Mr. President, I congratulate the distinguished Senator from Michigan (Mr. GRIFFIN) upon the introduction of this resolution.

It is quite apparent that there is need for another investigation into labor-management relations and particularly with respect to the infiltration of organized crime and other criminal elements into business and labor organizations.

During the last 2 or 3 years, I have received complaints from union members about the dictatorial and undemocratic processes by which their union is governed and especially with respect to union expenditures and the management of their pension fund.

I believe the investigations conducted by the Senate Select Committee which I chaired some 18 years ago, and which resulted in the enactment of the Landrum-Griffin bill, were very productive and helpful, and I am persuaded that another comparable investigation at this time would also be fruitful and point to the need for further remedial legislation in the field of labor-management relations.





United States  
of America

# Congressional Record

PROCEEDINGS AND DEBATES OF THE 94<sup>th</sup> CONGRESS, FIRST SESSION

Vol. 121

WASHINGTON, FRIDAY, SEPTEMBER 19, 1975

No. 138

## Senate

### THE HOFFA CASE AND ITS IMPLICATIONS

**HON. ROBERT P. GRIFFIN**

OF MICHIGAN

IN THE SENATE OF THE UNITED STATES

Friday, September 19, 1975

Mr. GRIFFIN. Mr. President, Daniel Seifert was a key Government witness ready to testify in a criminal case charging conspiracy to defraud the Teamsters' Central States Pension Fund. On the morning of September 27, 1974, Seifert entered his office in a Chicago suburb, accompanied by his wife and son. Two men in ski masks, surprised to see the entire family, shoved the wife and son into a lavatory and shot Seifert. But he fled into a hallway. There he encountered another man, with a shotgun, and turned to flee again. A buckshot blast ripped away the back of his head, but Mr. Seifert continued into his plant. The two men in ski masks chased him, firing and yelling to startled employees to "hit the deck." They did. But Mr. Seifert managed to run out a back door. There he encountered another man with a shotgun, who fired at him point blank.

None of the witnesses has ever come forward with a good identification of the killers. An account of this killing appeared in the Wall Street Journal on July 24, 1975. Daniel Seifert was not a man of impeccable character; allegedly he ran a company that helped channel Teamster money to a man identified by the Illinois Crime Investigating Commission as a Mafia loan shark and collector.

On July 30, 1975, James R. Hoffa, former international president of the Teamsters Union disappeared. His automobile was found in the parking lot of a Detroit area restaurant.

After an extensive, nationwide investigation conducted by the FBI, a grand jury was convened in Detroit. The grand jury probe now appears to be winding down, and from all reports law enforcement authorities are no closer to the truth about Jimmy Hoffa's disappearance than when they started.

My sympathy goes out to the Hoffa family. I am not well acquainted with young James Hoffa, but I have met him. I understand that he was a good student and has proved himself to be an able lawyer.

As a U.S. Senator from Michigan, as coauthor of the 1959 Labor-Management Reporting and Disclosure Act—often referred to as the Landrum-Griffin law—and as a citizen concerned about any attempt to abort orderly legal procedures. I am shocked by events that have been unraveling in Michigan.

Allegations that criminal elements are deeply involved in the Teamsters' Union and its financial affairs have been widely circulated. Recently the Wall Street Journal published an investigative series detailing a variety of alleged activities, including speculative loans, fraud, bribery, delinquency of loans, and contract favoritism detrimental to Teamster Union members.

Jimmy Hoffa, in an autobiography published after his disappearance, has raised serious allegations against the current Teamster leadership—charges similar to those once raised against him. In this book, which obviously is self-serving, Hoffa charged that the union has been sold out "to mobsters—and known racketeers."

In the past I have expressed concern and disappointment that the Labor Department, under administrations of both political parties, has been too timid and ineffectual in giving meaning to the Landrum-Griffin Act. Too often departmental decisions and regulations have operated to water down and erode the protection intended for rank and file workers.

Only last year a new and comprehensive law was passed by Congress. The specific goal of the 1974 Employment Retirement Income Security Act was to protect the pension funds of working men and women.

In light of the Hoffa mystery and its possible implications, it is particularly appropriate to ask: What has been done? What will be done to see that union members are not the victims? Such questions have been asked of me by members of the media—and similar questions are being raised across the country.

In 1970, the rank and file of the United Mine Workers and the Nation were stunned by the grotesque murders of Joseph Yablonski and his family. To their credit, the Labor Department as well as the Department of Justice moved effectively in that case. Ultimately the mystery was solved and the murderers were convicted.

Nevertheless, Hoffa's disappearance has raised again some nagging questions: Are existing laws adequate to protect working men and women? To what extent is the mob involved in the control of multimillion-dollar pension funds?

One Teamster fund alone—the Central States—takes in about \$100 million in contributions a year. Overdrive, a California-based trucking-magazine, has been investigating that fund for several years. Edward Daly, of the Labor Department, has been quoted as saying:

There's enough allegations in those Overdrive articles to keep two men (in my office) busy for years.

Daly also complains that his Labor Department staff is too small and overwhelmed with work to do an adequate job.

As a Member of the Senate, I am deeply disturbed by this situation. Congress must assure itself that it has done all in its power to enact adequate laws in this area—and Congress must see that enacted laws are enforced. We cannot allow hard-won benefits earned by honest, decent rank-and-file workers to be stolen or squandered away.

In its final report, the 1957 Select Committee on Improper Activities in the Labor Management Field—the McClellan committee—registered strong concern that the Teamsters Union—by virtue of its size and its influence in the operations of transportation and commerce throughout the Nation—is in a position to exert enormous control over the economic life of our country. If it should be true, as charged, that the mob strongly influences the affairs of that union, it may be asked: To what extent, then, has the mob taken over control of the economic life of our country?

In an editorial, dated August 15, 1975, the Wall Street Journal stated:

The Teamsters' \$1.5 billion main pension fund is one of the major lending agencies in America. As this newspaper pointed out in several recent articles, a sizeable portion of that money has gone into bizarre, risky and perhaps even fraudulent ventures; many investments appear to have been excuses for

distributing money for the business convenience of insiders; and the fund has passed millions of dollars to companies identified with Mafia members and their associates.

Such allegations, particularly in light of Hoffa's disappearance, are too serious and too important to be ignored.

One of the most important questions right now is: Who will speak up for the working people in this situation?

The answer to that question, it seems to me, should be clear—the Members of Congress elected by the people have a solemn obligation and duty to do so.

During the last several weeks I have been in close contact with officials of the Justice Department and the Labor Department. I have attempted to gain answers to some of the questions raised here today.

I know that my colleagues must share the deep concern I feel, and I urge them to join in the effort to get to the bottom of this mess.

I ask that a number of recent newspaper articles and editorials bearing on this subject be printed at this point in the RECORD.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the Wall Street Journal, Aug. 15, 1975]

#### PENSION REFORM AND THE TEAMSTERS

The disappearance of former Teamsters boss James Hoffa is not only a puzzling mystery but another seeming link in the chain of circumstances that have long associated the Teamsters union with organized crime.

The Hoffa disappearance would seem to be part of a recent wave of violence that has revolved around Teamster Local 299 in Detroit, which is the home base for both Hoffa and the present Teamsters president, Frank Fitzsimmons. A series of bombings, bearing the signs of mobster professionalism, has suggested a union power struggle as one possible element to the disappearance.

All this mystery and strong-arm stuff raises an interesting question of public policy. The U.S. Congress last year passed a bill aimed at "reform" of private pension systems. Without doubt that law will be obeyed by most businesses, at some cost. But will the government be able to use it to any effect to police union pension funds, which along with pension programs managed by governments themselves, have had some of the widest abuses of proprieties and sound practices?

The Teamsters' \$1.5 billion main pension fund is one of the major lending agencies in America. As this newspaper pointed out in several recent articles, a sizeable portion of that money has gone into bizarre, risky and perhaps even fraudulent ventures; many investments appear to have been excuses for distributing money for the business convenience of insiders; and the fund has passed millions of dollars to companies identified with Mafia members and their associates.

This pattern of mob involvement in the affairs of the nation's largest and most powerful labor union has defied both internal and external clean-up efforts. Two decades ago the McClellan committee conducted extensive investigation into Teamsters shake-downs, blackmail and ties to organized crime. At that time the committee concluded that a criminal record may be "a prerequisite" for advancement in the Teamsters firmament, and James Hoffa eventually did acquire a prison record—as did his predecessor, Dave Beck, and lesser Teamsters officials.

But all that unfavorable publicity apparently had no more effect on the Teamsters than did its subsequent expulsion from the AFL-CIO. Even the Landrum-Griffin Labor Reform Act of 1959, which grew out of the abuses uncovered in the Teamsters hearings, had little lasting effect. There also has been little rank-and-file dissension, for whatever else may be said about the Teamsters, most of its 2.2 million members have done rather well economically. That is hardly a surprise, of course, given the union's size and readi-



ness to use its muscle to attain organizational and bargaining goals.

The Employee Retirement Income Security Act of 1974 was designed to protect all pension rights in the private sector, not so much to prevent the sort of abuses connected with the Teamsters fund. The act is confusing, all the more so since the government is almost nine months late in issuing the detailed regulations necessary to force compliance. But it does seem to prohibit some of the more questionable activities approved by the Teamsters fund directors. Unfortunately, the government's enforcement staff may be inadequate to investigate charges as complex and extensive as those involving the Teamsters.

Whether any of this financial skulduggery is directly related to the disappearance of James Hoffa is anybody's guess. But it is related in the sense that Hoffa played a major role in helping to solidify the Teamsters economic and political power, which are now very much at issue. And it is directly related to the pension reform bill, to whether it will prove capable of preventing the kinds of abuses connected with the Teamsters pension funds. Its failure to do so could well cast doubt on how serious Congress really was when it attempted to bring about a pension "reform."

[From the Detroit Free Press, Aug. 16, 1975]  
AS WE SEE IT: UNION CORRUPTION NEEDS  
INVESTIGATION BY CONGRESS

With the publication of Jimmy Hoffa's autobiography, and with the grand jury investigating Mr. Hoffa's disappearance apparently going nowhere, the case for a full-scale congressional investigation of the Teamsters and their pension fund is growing stronger.

Let us be quite specific. The time is at hand for an investigation on the scale of the McClellan hearings into labor corruption. The apparent intrusion of racketeering into the affairs of the union, and the documented abuses of the Teamsters members' pension funds, should be justification enough for trying to get to the bottom of abuses. Mr. Hoffa's mysterious disappearance and the frustration of the authorities thus far in trying to locate him or explain what happened simply adds urgency to the need for an investigation.

Consider the case for congressional action: The Wall Street Journal has published a notable investigative series on speculative loans, fraud, bribery, delinquency of loans, favoritism in contract talks to firms that have received union contracts and other instances of possible mismanagement or corruption.

The circumstances of Mr. Hoffa's disappearance certainly point in themselves to the involvement of organized crime in the politics of the Teamsters Union. Mr. Hoffa's own record was something less than unblemished chastity, but he appears to have run afoul of forces more sinister than he was associated with himself.

The Hoffa autobiography itemizes Mr. Hoffa's own charges, some documented, some not, of corruption in the union under Mr. Hoffa's successor, Frank Fitzsimmons.

The fundamental point is that both the thousands of Teamster Union Members whose pensions are subject to the loving care of the pension fund and the public whose welfare is affected by apparent abuses in so important a union have an overriding interest in an investigation and clean-up of the union.

Jimmy Hoffa confessed in his autobiography that one of the two big mistakes of his life as a Teamster boss was tangling with Bobby Kennedy, who was counsel to the McClellan committee in its heyday and who pursued Hoffa relentlessly then and later as attorney general. What the country needs now is a dedicated senator or representative or a committee counsel, who will try to discover what the nation needs to protect itself and the union members from what appears to have been going on within the Teamsters.

The Bobby Kennedy vendetta against Jimmy Hoffa was pursued with a singleness of purpose that was not always salutary. At least though, it was pursued, and it is time now that someone pick up the torch and carry the examination of the Teamsters forward.

[From the Flint (Mich.) Journal, Aug. 17, 1975]

#### WILL HOFFA CASE EXPOSE RACKETEERS? (By Clark R. Mollenhoff)

WASHINGTON.—It can be hoped that the mysterious disappearance of Former Teamsters boss James R. Hoffa will spark another congressional investigation of labor racketeering and the Teamsters union.

The events that have been in the headlines on union-Mafia ties, the loose handling of union pension funds, and the power struggle within the International Brotherhood of Teamsters indicate that conditions are worse than they were 19 years ago when the Senate labor racket investigations were launched.

In 1957 and 1958, the underworld ties of the Teamsters resulted in a report from the Senate Select Committee on Improper Activities in the Labor-Management Field that characterized the Teamsters as "Hoffa's hood-

lum empire." It was thoroughly documented that Hoffa had placed former convicts in positions of power in the central conference of Teamsters that he headed.

The Senate Labor Racket Committee expressed shock at the power of the 1.5 million-member union, its alliances with Mafia big-wigs and petty crooks, and its irresponsible handling of what was then the multimillion-dollar pension plans accumulated for the benefit of members.

Although Frank E. Fitzsimmons, Hoffa's handpicked successor as Teamsters' president, operates with a lower profile than did Hoffa, he has taken no effective action against organized crime figures who continue to run local unions and lurk in the shadows on questionable pension fund transactions.

In fact, some of the long-suffering reform elements in the union contend that the gangsters are more satisfied with the loose leadership of Fitzsimmons, who permits them to operate about as they please. The rackets have extended today and there is an arrogant disregard to criticism of loans to mob figures in gambling enterprises, race tracks, and plush motels and hotels in Florida, California and Nevada.

Hoffa grabbed the Teamsters' presidency in 1957 in the face of the revelations of the McClellan Committee, but his audacious power grabs infuriated Congress and the public and the Landrum-Griffin Labor Reform Act, passed in 1959, was heralded as a blow against underworld control of unions and a vehicle for democratic reform.

Although Robert F. Kennedy, as Attorney General, finally convicted Hoffa of jury tampering and pension fund frauds and sent him to federal prison in 1967, the Labor Department administered all of the teeth out of the Landrum-Griffin law.

And, after Kennedy left the Justice Department, there was no aggressive follow-through against underworld influence under the Lyndon B. Johnson or Richard M. Nixon administrations. Likewise, Congress ignored the continuing evidence of labor racketeering and irresponsible handling of union pension funds.

Since Nixon released Hoffa from prison in December, 1971, there has been a continuing battle between Hoffa and Fitzsimmons for control.

Hoffa contended that Fitzsimmons, who Nixon referred to as "my kind of labor leader," had been a factor in Nixon's pardon restriction that barred Hoffa from union office until 1980.

At the time of his disappearance, Hoffa was engaged in litigation to invalidate that restriction so he would be eligible to challenge Fitzsimmons at the convention in Las Vegas next year.

If the court ruled for Hoffa, there was no doubt he would have been an aggressive candidate, and it would have upset underworld figures who prefer the relaxed leadership of Fitzsimmons.

Until the disappearance of Hoffa July 30, Teamsters infighting had not been front-page news and it was possible for Congress to ignore bits of evidence that the Teamsters union was probably worse than ever.

Unless Hoffa returns, the question of whether the U.S. Circuit Court of Appeals in Washington was going to rule for Hoffa will remain a mystery. Whether Hoffa could have regained control of the union will be subject only to speculation if he does not reappear.

But, control of the union and its pension funds will continue to be a prize that will tempt violent men to do their worst. Some aspect of that long, bitter struggle is undoubtedly responsible for Hoffa's disappearance.

When the special Senate labor racket committee concluded its work in the early 1960's, Congress gave the permanent investigations subcommittee, then headed by Sen. John McClellan, D-Ark., the jurisdiction to continue an oversight over labor rackets and misuse of pension funds.

Sen. Henry M. Jackson, D-Wash., now is chairman of that committee with the jurisdiction and the responsibility to do the investigation job, and to recommend effective laws to assure accountability by the trustees who have custody of the pension funds of so many laboring men and women.

If Hoffa's mysterious disappearance can spark such an investigation, it will be worth all of the efforts of local and state police and the FBI, even if Jimmy never is found.

[From Newsweek, Aug. 18, 1975]

#### TEAMSTERS AND THE MOB

In a way, the International Brotherhood of Teamsters and the mob have grown up together. In the early days, the union legally organized workers in some of the same service industries that were being illegally shaken down by gangsters. Labor skates and mobsters often bumped into each other on the job, and occasionally they found it profitable to do a little business. It was mostly penny-ante stuff at first. But over the past 30 years the union has swollen in size to more than 2 million members, becoming in the process a giant financial cornucopia that spills out hundreds of millions of dollars annually in membership dues and health, welfare and pension money. The bulk of that cash is honestly spent on the members' behalf—but

law-enforcement officials believe that millions more have been siphoned off for the enrichment of union officials and their friends in organized crime.

The most dazzling monument to this bond between the Teamsters and organized crime is Rancho La Costa, a \$100 million residential country club and health spa north of San Diego. According to reliable estimates by *Overdrive* magazine, a trucking-industry publication that has investigated the subject extensively, La Costa is financed in large part by a \$57 million loan from the Teamsters' Central States pension fund.

#### TENANT

La Costa is controlled by four men, including Morris (Moe) Dalitz, a gambler and one-time bootlegger who holds a position of prominence in organized crime, and Allard Roen, who pleaded guilty to conspiracy to defraud thirteen years ago in a \$5 million stock swindle. One of their most prominent tenants is Teamsters president Frank Fitzsimmons, who often stays in a condominium on the property. "Fitz" also holds Teamster executive board meetings at La Costa and each year sponsors the Frank Fitzsimmons Invitational Golf Tournament, where the pinky-ring and white-on-white set mingles with the likes of Frank Sinatra and Bob Hope.

More than anyone else, it was James Hoffa who forged the link between the Teamsters and the mob. In the mid-1950s, Hoffa was scratching to take over the union from the discredited Dave Beck, who later was convicted of stealing from the union and evading income taxes. In New York, a key battleground, Hoffa was opposed by Thomas (Honest Tom) Hickey, a Teamster old-timer of unsullied reputation who ran the union's joint council. Hoffa set out to replace Hickey with one of his own men, John O'Rourke, and he enlisted the help of hoodlums Johnny Dio and Anthony (Tony Ducks) Corallo.

Dio's credentials as a labor statesman included prison terms for assault and extortion; Corallo had a narcotics record. That hardly bothered Hoffa. He arranged for the chartering of "paper" locals under the control of Dio and Corallo, all pledged to oppose Hickey. The aging Hickey battled valiantly, but Hoffa finally won. A few months later, in 1957, he was elected international president of the Teamsters.

By then the big-money phase of the relationship between the Teamsters and organized crime was well launched. From his early days in Detroit, Hoffa had known members of the city's notorious "Purple Gang" and, through them, gangland associates in other parts of the country. One of those was the late Paul (Red) Dorfman, then head of a corrupt union of waste-handlers in Chicago and the Chicago syndicate's resident expert on labor management.

#### PIPELINE

Hoffa arranged to place millions of dollars in Teamster health and welfare funds from Michigan with an insurance firm headed by Dorfman's young son, Allen, who had only recently completed preparation for what turned out to be a lucrative insurance career by taking a degree in physical education at the University of Illinois. This arrangement established a pipeline into the Teamsters' vast Central States pension fund, which today holds \$1,340,000,000 in assets, and eventually into similar Teamster funds across the country.

Where does the money go? According to the Nevada Gaming Control Board, Teamster pension funds have invested \$156 million in Nevada gambling during the last seven years alone. Another favorite investment center is sunny Florida. "Millions upon millions of Teamster pension fund dollars have been funneled into Florida, and one of the chief beneficiaries has been the mob," charges Jack Key, a special agent with the Florida Department of Criminal Law Enforcement. Questionable Teamster loans have helped finance hospitals, apartment buildings, motels, and hotels, condominiums and country clubs in South Florida. "Many millions have been stolen from the Teamster pension fund reserves," Key asserts. "The manipulations have been concerted, repetitive and brazen."

Just how brazen was once illustrated in a deal involving Allen Dorfman, then serving as a highly paid consultant to the Central States pension fund, and an outfit called the Boca Teeca Country Club in Boca Raton, Fla. Beginning in 1968, the fund lent Boca Teeca \$5.1 million and at about the same time, Dorfman acquired 25,000 shares of stock in the club. Four years later, Boca Teeca was in default on \$4.7 million of its loan—but Dorfman had profited handsomely on the stock. (Dorfman was convicted in 1972 of taking a kickback in the granting of a loan by the fund and is no longer consultant to it.)

#### HIDEAWAY

On an earlier occasion, Hoffa arranged to help out the late Paul (The Waiter) Ricca, a Chicago gangland chief, who was having a cash flow problem in the early 1950s. With the help of his good pal, Owen B. (Bert) Breennan, president of Teamster Local 337 in Detroit, Hoffa came up with \$150,000 in union funds and purchased Ricca's lakeside home at Long Beach, Ind. Hoffa told government investigators he had purchased the place for use as a training school for union executives—ignoring the fact that local zoning laws prohibited such an opera-

tion. As far as anyone was able to determine, the house was never used for anything other than a hideaway for union officials.

For whatever good it may do, law-enforcement officials are continually investigating the Teamsters. Mobster Anthony (Tony Jack) Giacalone, a long-time associate of Hoffa, recently was indicated by a Federal grand jury in Michigan for allegedly conspiring to receive \$12,000 from a firm supplying medical insurance to members of Teamster Local 614. In Chicago, a Federal anti-crime strike force has secured indictments in two cases, involving the Teamsters, and the U.S. attorney's office there has been investigating the Central States pension fund for five years now. Last April, six men were acquitted of conspiring to defraud the fund of \$1.4 million. Despite that setback, U.S. attorney Samuel Skinner says that his crusade against corruption in the fund is still on and he hopes to present new evidence to a grand jury this fall.

It is by no means certain that anyone can break the link between the union and the mob. Back in 1958, at the conclusion of the Senate rackets committee investigation of the Teamsters, the committee's chief counsel, the late Robert F. Kennedy, was asked whether Jimmy Hoffa himself could ever clean up the union, should he be so disposed. Replied Kennedy: "He can't say, 'You're out.' He wouldn't live. 'That blunt fact of Teamster life is as true today as it ever was—and it just possibly may have had something to do with the disappearance of James Riddle Hoffa."

[From the Washington Star, Aug. 13, 1975]

#### THE HOFFA BACKGROUND

Whatever the truth behind the disappearance of James R. Hoffa, the event has drawn renewed attention to the continuing problems of corruption and violence in the nation's largest labor union. The Hoffa mystery, because of the directions in which official inquiries and unofficial speculation have naturally led, could be a useful reminder that the cleanup of the huge International Brotherhood of Teamsters is an unfinished task.

The Union's strife-ridden affairs are as troubling as ever, 18 years after the sensational McClellan Committee hearings on crime in the labor field and the Teamsters' expulsion from the AFL-CIO for ethical reasons, and 16 years after the tortuous congressional passage of the Landrum-Griffin Act. This last comprehensive piece of federal labor legislation was designed largely to secure the rights of union members from predatory leaders, and was inspired in significant measure by Teamster abuses. After the reform push of the late 1950s, Hoffa became the second Teamster president in a row to go to prison, in his case for jury-tampering and pension-fund fraud. He gave up his union post, to the supposed caretaker-ship of incumbent President Frank Fitzsimmons, but under terms of his 1971 parole Hoffa was forbidden from resuming his union activity until 1980. He was planning a further legal challenge of this exclusion and was still hoping for a comeback to union power when he slipped from sight—possibly the victim of foul play—on July 30.

It is not known yet, and it may never be known with certainty, whether Hoffa's disappearance had anything to do with the perennial power struggles in the union and its Detroit-area locals, or with Hoffa's and the Teamsters' long history of gangland connections. It should be remembered, too, that there are irreproachable Teamster officials around the country, and that many locals operate honestly and with due regard for the interests of members, employers and the public. The 2.2-million-member union has prospered in part through sound trade-union practices and a reputation for effective bargaining rather than strong-arm methods.

The Teamsters, in fact, enjoyed a highly publicized romance with the former Nixon administration during which it was easy to forget that Republican officeholders traditionally take a jaundiced view of freewheeling unionists. The Teamsters were an important source of hard-hat support for Nixon's Indochina policies. It was Nixon who paroled Hoffa. The Teamsters then backed Nixon's re-election. In August 1972, a Teamster cocktail party drew six members of the Nixon Cabinet, including then-Attorney General Kleindienst.

But at a less exalted level, Teamster affairs have been marked by the same thuggery, misuse and dubious investment of millions of dollars of the members' money and ubiquitous underworld connections that produced the revelations of almost two decades ago. Recent investigations involve the same Central States pension fund that Hoffa was convicted of looting. Beatings, bombings and shootings have characterized recent union feuding in Detroit and environs.

Whether or not the new investigation is successful in determining what happened to the former Teamster chief and, if crime was involved, who was responsible, the fresh airing of questionable doings in and on the fringes of the union should bring cleansing benefits—at least for a while. Prosecutors should be encouraged to pursue evidence of malpractice. And there should be a worthwhile lesson about why the reform effort of the 1950s in the end produced so little re-

form.

[From the New York Times, Aug. 13, 1975]

#### TEAMSTER MORASS—IMMUNITY TO LAW?

Two weeks after the disappearance of James R. Hoffa, mystery still shrouds his fate. The deeper the law-enforcement authorities dig into the mare's nest of underworld syndicates that envelops the two-million-member International Brotherhood of Teamsters, the more baffled they seem to become about who or what might have caused the union's former leader to vanish as he started his comeback campaign.

Important as it is to answer that question, another cries out equally insistently for answer. This parallel mystery is why the most expansive of the enterprises established for the supposed protection of the giant truck union's membership—the Central States, Southeast and Southwest Areas Pension Fund—remains after two decades of public exposure a sluiceway for pouring hundreds of millions of dollars into dubious and often disastrous loans to mobsters.

Mr. Hoffa and a half-dozen confederates were convicted in 1964 of defrauding the fund through just such loans and to receiving kickbacks amounting to \$1 million for this betrayal of rank-and-file interests. Current reports on ill-secured investments made to underwrite casinos and resorts run by shady operators, many of them associated with past fleeing of the fund, indicate that reform is still a stranger to this biggest of teamster pension funds.

Its listed assets are estimated at close to \$1.5 billion, but how much of this is worth and how much water no one can say with assurance. Yet every penny paid into the fund by employers under their collective agreements with the truck union is by law earmarked to assure retirement benefits for the 400,000 drivers, loaders, mechanics and warehousemen it covers in more than twenty states.

Congress has just passed a law establishing tighter rules than ever before to prevent abuse of fiduciary responsibility by the labor-management trustees of all pension funds. The degree to which that law can eradicate the flagrant malpractices in the Central States fund will be a crucial test of its effectiveness.

One helpful factor is that the scandal-stained Teamsters Union no longer enjoys the sacrosanct status it held in the previous Administration, when President Nixon made no secret of his partiality for it over all other unions. This partiality contributed to the Nixon decision to free Mr. Hoffa from prison less than one-third of the way through his thirteen-year term. Hatchet-man Charles Colson, a key figure in that deal, went from the White House to a lucrative post as teamster general counsel before himself ending up in jail.

One sign of a new wind in the Ford Administration is the sharp disapproval expressed recently by Labor Secretary Dunlop and Treasury Secretary Simon of a bill pushed by the building trades, with strong support from the teamsters that would have exempted multiemployer funds like the Central States from policing under the new law. Instead, a top-level steering committee representing the Internal Revenue Service and a new enforcement agency inside the Labor Department is busy writing regulations aimed at sharpening teeth in the law's provisions.

But the corrupt elements in the teamsters have shown enormous vitality in the face of past clean-up drives. On both the economic and political fronts, they retain fearsome power. The Hoffa disappearance and the uninterrupted chicanery in the pension fund raise anew the question of whether that power gives them an immunity to law and community control. Even if the truck union did not have the ability to paralyze the economy at will, such an immunity would be intolerable.

[From the Wall Street Journal, June 22, 1975]

#### UNION FINANCIERS: QUESTIONS ARE RAISED BY LOANS AND BENEFITS OF TEAMSTERS FUND; MANY INVESTMENTS APPEAR INSIDER AFFAIRS OR RISKY; ARE PENSIONS PAID JUSTLY?—THE BREAK-IN-SERVICE PITFALL

(By Jonathan Kwitny)

Every week more than half a million North American trucking workers each allow their employers to pay \$22 of what could be their salaries into one of about 200 pension funds connected with the teamsters' union, the International Brotherhood of Teamsters. A million more teamster members in trucking and other jobs are covered by varying contributions into the funds.

At the \$22 rate—which took effect this month, up from \$19.50—the largest of these funds alone now takes in about \$400 million in contributions a year. This fund—the Central States, Southeast and Southwest Areas Pension Fund, headquartered in Chicago—has long been accused in lawsuits and press exposés of abusing its members' interests, although neither the fund nor any of its trustees has been convicted of a crime in connection with its operations. Lately, however, previously undisclosed details of these operations have become available.

In 1972, Donald Vestal, a disgruntled ex-teamster executive from Dallas, one of many

rebels who have tried to overthrow the teamsters' leadership by court action, won the right to a copy of the big pension fund's previously secret ledger of loans. Like most of the other rebels' suits, Mr. Vestal's sank in a sea of legal costs before it neared a verdict, and the fund records he had subpoenaed were sealed by a U.S. district court. Copies eventually were obtained, however, by law-enforcement officials; by a West Coast trucking magazine, *Overdrive*, which published a series of exposés; and, recently, by this newspaper.

#### RISKY INVESTMENTS

The records show that the fund—one of the largest investment funds in the country, which declared assets of \$1.34 billion in the year ended last Jan. 31—has plowed hundreds of millions of dollars into loans that were, at best, unwise. Some of them apparently involved fraud.

Meanwhile, many teamsters who have retired or would like to retire say the fund refuses to pay them the pensions they believe they're entitled to.

No official of the teamsters' union would talk to this reporter about the loans, or about the pensions or anything else. But a team of auditors from a leading accounting firm, a team experienced at assessing such portfolios, examined the loan records at *The Wall Street Journal's* request. Even the loans that seemed to hold their value, the team said, were mostly bizarre and risky.

Many of the loans appear to have been excuses to distribute money for the business convenience of insiders. One indication is a concentration of real-estate mortgages to small, speculative businesses, often for much less than \$1 million, investments that the consulted auditors called too small to be worth the bookkeeping trouble for so large a fund.

#### EIGHTY-NINE PERCENT REAL ESTATE

Through such loans, the records reveal, the fund has passed millions of dollars to companies identified with Mafia members and their cronies. It has also lent millions of dollars to employers of teamsters; and according to a number of rank-and-file teamsters, the union has sometimes deserted members' interests in favor of the employer-borrowers.

As of Feb. 29, 1972, the end of the period covered by the detailed records obtained by the Journal, the big pension fund listed total assets of \$917.9 million, of which \$819 million, or 89%, was either already invested in or firmly committed to real-estate loans—against less than 5% for the average similar fund, according to a survey in 1973 by the Securities and Exchange Commission. The latest and much less detailed figures that the teamster fund reported to the Department of Labor for the year ended last Jan. 31 indicate that of the \$1.34 billion in total assets, some \$981.6 million, or 73.3%, was invested in real-estate loans; how much more was committed to future real-estate deals wasn't disclosed.

Moreover, in 1972 at least, it wasn't all prime real estate. For one thing, much was invested in second and even third mortgages. For another, as one auditor consulted by the Journal said:

"I've looked at REIT (real estate investment trust) and bank portfolios for a long time and I've never seen a cemetery before. (For the most part) I don't see (in the teamster-fund portfolio) office buildings; I don't see apartment buildings; I don't see good sound investments. I see motels, hospitals, health spas, bowling alleys, cemeteries—all this may come up roses, but I wouldn't bet on it."

#### HIGH DELINQUENCY RATE

As of 1972 at least, it wasn't coming up roses, not for the half-million teamsters relying on the fund for their retirement income, anyway. The fund records state that real-estate deals accounting for 30% of these mortgage loans were delinquent, not including properties acquired by the fund from borrowers, presumably in lieu of payment. With these properties thrown in, it appears that some 36.5% of the real-estate loans were coming a cropper.

And the actual bad-loan figure could be much higher. Some borrowers on the 1972 list by now have gone into bankruptcy or have had their corporate charters canceled for nonpayment of state tax, an indication they are out of business. What's more, the fund has made some loans apparently secured by the same property that secured previous loans. That could mean that in some cases earlier loans are kept current by the lending of new money to pay them off.

Just how much of the fund's later reported \$1.34 billion in assets represents bad IOU's or unmarketable property can't be determined from any records publicly available. Teamster critics frequently charge that the fund is near bankruptcy, but that seems unlikely since the benefits paid out to members in the year ended last Jan. 31 totaled \$175.2 million, which was \$108 million less than the income from employer contributions; since then, the contribution rates have grown substantially while the benefit rates remain the same.

The catch is that the pension payout is held far below what a lot of teamsters say it should be.



Figures, even rough ones, aren't available on how many teamsters are getting retirement or disability pensions, and how many others are claiming pensions that haven't been paid. But a reporter didn't have any difficulty locating dozens of teamster members and former members who say they are being cheated. Most often, the complainers were victims of one of several technicalities in the fund's regulations. If these loopholes are applied uniformly, tens of thousands or even hundreds of thousands of teamsters will lose their pension benefits.

Teamsters who expect to start collecting a pension on reaching retirement age (57 for minimum benefits, 60 for full benefits, which amount to \$550 a month for the trucking jobs covered by the \$22-a-week contributions) are often surprised to find that it takes four to six months for the big Central States fund to respond to an application. And then a common response is a form letter stating that the fund doesn't keep records of its members' work histories. This leaves it up to the individual teamster to prove he has 20 years of industry credits for a retirement pension or 15 for a disability pension. Truck drivers, untrained in business, often fail to keep adequate records.

Jerry Hayes, a lawyer for two Ohio teamsters who asked a court to order the fund to pay them pensions, tells how hard it is for men to gather the kind of proof the fund requires: "The worker gets his paycheck indicating X dollars were taken out (for pension-fund contribution), but nobody ever knows whether the companies actually send in the money. Teamsters get no annual report on what's been paid in. They can write and they get no answer."

#### EFFECT OF JOB-HOPPING

Furthermore, Mr. Hayes says—and case after case bears him out—the nature of trucking work, with its frequent job-hopping among a myriad of small companies, operates against the worker at pension time.

"These trucking companies are very little," Mr. Hayes says. "They go bankrupt; they buy each other out—I doubt that 20% of the trucking companies are still doing business in the same form for 20 years. So records are simply not maintained."

(Mr. Hayes says his clients' suit died when, working without a fee, he couldn't afford to answer the deluge of technical motions filed by teamster lawyers.)

The Central States fund hasn't approved the long-standing pension claim of Michael Talatinick, now retired in Cape Coral, Fla., on the ground that he has insufficient work credits. For one thing, he says, he worked for Eastern Motor Dispatch Inc., an Ohio company now long defunct. In the summer of 1972 Mr. Talatinick submitted an Eastern Motor identification card and a photograph of him driving an Eastern Motor truck, but the Central States fund replied with a form letter saying only, "The attached papers are being returned to you."

After he made some inquiries, the fund answered him the following February. "Kindly be advised," it said, "that affidavits must be submitted from fellow workers, owners or supervisors. These affidavits must include the type of work you did, the number of years you worked and the number of hours worked per year. You may also submit your check stubs."

Mr. Talatinick says he doesn't know where to turn for affidavits or stubs at this late date. One teamster local he says he joined after leaving Eastern Motor Dispatch denied to the Journal that Mr. Talatinick was ever a member, though he shows what appears to be a copy of his membership card and a receipt, dated 1954, for dues.

#### SOCIAL SECURITY RECORDS

Ultimately, many teamsters turn to the Social Security Administration for evidence, which takes many more months and an \$87.50 fee. But even if the Social Security records are complete—and sometimes, teamsters say, they aren't—they don't necessarily prove to the Central States fund's satisfaction that each employer paid the weekly payroll deductions into the fund as he was supposed to.

Robert Maxwell of Akron, Ohio, has shown the Journal Social Security records evidencing work with numerous trucking companies over the past 32 years. But when he inquired to the Central States fund about his pension he was told, after a 10-month delay, that money hadn't been paid into the fund on his behalf during most of those years, depriving him of the necessary pension credits. Years after a trucking company has gone out of business, a teamster is ill-equipped to determine what circumstances may have allowed the company to pay less into the fund it was supposed to.

Constant transfers from one company to another, and from one depot to another within the same trucking company, often cause an additional problem: transfer of workers from one local to another. When both locals are members of the Central States pension plan, the transfer theoretically presents no problems: The fund is supposed to credit the worker with payments made on his behalf while he was with the other local. But when one or both locals have independent plans, they may not recognize each other's plan—or have a reciprocal arrangement with the big fund, either.

Many teamsters don't know about this, and teamsters applying for pensions are often shocked to be told they must have the minimum 20 years' service with one particular plan, or with plans that accord one another recognition, even though they have been members of the same international union for many decades.

One local whose independent plan has caused frequent problems is No. 705 in Chicago, which has a fluid membership now numbering about 20,000. Dorman Vestal joined Local 705 in 1954 after 17 years with an Iowa local. In 1962 he transferred from truck driving to dock work—also as a teamster, but because of the switch he had to transfer into another Chicago local, No. 710, where he stayed until his retirement in 1969 at age 61. Apparently none of the three locals recognized the others' pension plans.

As a result, Mr. Vestal, who died in 1971, didn't receive any pension money, and his widow, who would be entitled to receive it now if her husband had been credited with 20 years' service, says she is living off an unemployment check and is "practically destitute."

(According to Louis Peick, secretary-treasurer, Local 705 has just negotiated a reciprocal agreement with the Central States fund.)

With so many teamsters disgruntled, it's only natural that many of them suspect there are secret agreements between trucking companies and the union to hold down pension-fund payments. They cite specific cases where companies, at least one of which benefited from a large fund loan, transferred scores of workers to jobs that would require them to join a new local with a different pension plan. But none of the teamsters has evidence that there are secret agreements, or that there are ulterior motives for the transfers. The trucking companies deny that there are.

Even if a teamster does build up 20 years' total service with one plan, he may run afoul of so-called break-in-service provisions. Many teamsters say they were unaware of these provisions until it was too late. In required disclosures filed with the Labor Department, the Central States fund has this to say about the mean break-in-service provision:

"If a member did not work under a Teamster collective-bargaining agreement requiring contributions to this pension fund for three consecutive years, he cannot count years of employment before such a break in his total years of service for a pension."

#### CREDIT WIPED OUT

In other words, a service break eliminates all prior credit. This applies not only to the many teamsters who quit or get laid off during hard times in the trucking business, then take a factory job and several years later go back to trucking. It applies also to members who never leave the teamsters' union but are transferred to jobs not covered or recognized by the Central States plan.

Such a man is Lester Black of Akron, who drove trucks from 1935 to 1957 while a member of locals that are covered now by the Central States fund. Then, after a year in another sort of job, he went to work for another trucking company, but as a mechanic. Although still a teamster member, he was covered under what is called a "miscellaneous contract" and therefore wasn't under the pension program.

In 1965 he went back to work as a driver, but when he applied for his pension in 1971 at age 57, the Central States fund omitted his mechanic duty from his work record and said, "We haven't any alternative but to place your application in our rejection file."

One way that tens of thousands of teamsters apparently have fallen into the break-in-service exclusion is by becoming "owner-operators." Drivers often dream of one day owning their own rigs. So, many companies offer their drivers installment sales contract through which, at least in theory, the dream can come true. But while the driver is paying off his rig, the company usually requires him to work only on assignment from the company, and the company and the teamsters' union require him to remain a member of the union.

After a few years, the assigned work often thins out and the driver's income drops, so he gives up his rig—which is usually far from paid for—and takes a job driving with another company. According to the interviews, such teamsters often remain unaware that their pension fund will count their years as owner-operator as a break in service, even if the driver has paid his own pension-fund contribution from his weekly paycheck.

#### THREE WIN COURT FIGHT

In 1972, three former owner-operators sued the fund in federal court in St. Louis. The court ruled that company restrictions on owner-operators were so strict that the men were in effect employees, not self-employed as the fund said. But the ruling required pension payments only to the three St. Louis men. Many other teamsters whose cases appear to fall in the same category have been denied pensions and have been unable to finance expensive litigation.

Experts disagree over whether the pension-reform law of 1974 will ease teamsters' pen-

sion-collection problems. The law was supposed to take effect Jan. 1, but compliance has largely been postponed pending the issuance of detailed regulations by the government. Critics say the law doesn't attack key problems like breaks in service, portability of rights from one local plan to another, and the owner-operator controversy.

Proponents of the law say workers will be protected by its provision for vesting, or unforfeatability of rights. But under the plan most funds are expected to choose, vesting will require contributions to one fund for 10 years without much interruption. Besides, even proponents concede, as one of them puts it, "The statute is so incredibly complicated that I don't know anybody who understands all of it."

[From the Wall Street Journal, July 23, 1975]

**UNION FINANCIERS: INSIDERS AND MOBSTERS BENEFIT FROM LOANS BY TEAMSTERS FUND; WHEN AN EMPLOYER BORROWS, IS IT THE DRIVER WHO PAYS? THE ALLEN DORFMAN STORY—MR. LOCCOCO AND THE COCKATOO**

(By Jonathan Kwitny)

Of the nearly half-million teamsters who contribute, through their employers, about \$400 million a year into the union's Central States, Southeast and Southwest Areas Pension Fund, probably few would be able to say what Allen Dorfman has done for them. But over the years, they have done plenty for him.

Mr. Dorfman's official role as consultant to the fund—a job that paid him as much as \$75,000 a year plus expenses but was only a small part of his profitable relationship with the union—was canceled after his 1972 conviction for taking a kickback in the granting of a loan by the fund. (He recently was acquitted on a similar charge regarding another loan.) But at least socially he remains where he has been for many years, at the hub of a circle of insiders that has benefited greatly from the \$2 billion or more that the fund has taken in since it was formed 20 years ago.

Mr. Dorfman's father, Paul Dorfman, who died in 1971, was a close associate of Chicago mobsters since the days of Al Capone, according to 1959 testimony before a Senate antiracketeering committee by Robert F. Kennedy, then counsel to the committee, and his staff, Paul Dorfman was secretary-treasurer of the Chicago Waste Material Handlers union until the AFL-CIO forced him out on grounds of misuse of funds. While in that post, according to the 1959 testimony, he entered into private business deals with the employers' representative he negotiated labor contracts with, and helped the mobster John (Johnny Dio) Dioguardi gain control of a union local.

#### A DEGREE IN PHYSICAL EDUCATION

Paul Dorfman's son, Allen, received a B.A. in physical education from the University of Illinois and soon afterward, in 1949, obtained an Illinois insurance agent's license. Through the efforts of his father, he was appointed general agent for Union Casualty Co., a relatively small firm that handled insurance for Paul Dorfman's waste handlers' union and another Chicago local.

At about that time, James R. Hoffa, long president of the Detroit teamsters' local, was working toward power in the Chicago-based Central Conference of Teamsters and became friendly with Paul Dorfman—because, according to Robert Kennedy, of Mr. Dorfman's helpful contacts in the underworld.

(Paul Dorfman invoked his Fifth Amendment protection against self-incrimination in declining to answer questions at the Senate hearings, including even the question of whether Allen Dorfman was his son. Allen Dorfman also invoked the Fifth Amendment on many questions relating to his insurance business.)

In 1950 the Central Conference, at Mr. Hoffa's direction, threw out the low group-insurance bid of Pacific Mutual Life Insurance Co. That company had assets of \$377 million, but the Central Conference said it had a history of financial troubles. (It did, but back in the 1930s.) Instead, the conference awarded its contract for coverage of teamster members to the supposedly more stable Union Casualty, with assets of only \$768,000. Teamster business soon constituted more than 80% of young Dorfman's total, with premiums running more than \$10 million a year. He and Mr. Hoffa also invested together privately in a lodge in Wisconsin and an oil-exploration company in North Dakota. In 1955, the Central States, Southeast and Southwest Areas Pension Fund was born, and it didn't have to shop far for an agent to buy its insurance from.

#### CALLED EXPENSIVE

According to Senate testimony by an insurance expert in 1958, Mr. Dorfman charged the fund three or four times the normal rate of commission. Other witnesses said he showed his appreciation by paying, out of his own pocket, the premiums for personal insurance policies he obtained for union officials.

Soon Mr. Dorfman and a few associates were running a complex of insurance agencies, which eventually had their headquarters in the same teamster-owned building that housed the pension fund itself. The fund assigned Mr. Dorfman the task of check-

ing on the insurance coverage of its borrowers, and in March 1967 he was officially appointed consultant to the fund.

One Dorfman company, Union Insurance Agency of Illinois, acquired a Grumman Gulfstream airplane from Frank Sinatra and leased it to the fund, which used it to fly Mr. Dorfman and other insiders around the country. The plane stopped frequently at Rancho La Costa, a Southern California resort and land development where Mr. Dorfman and others acquired property.

La Costa was founded and is run by four men, including convicted stock manipulator Allard Roen and former bootlegging and gambling figure Morris Dalitz. It has been financed since 1964 with some \$57 million in loans and commitments from the Central States fund. Fund records produced in federal court and obtained by the Journal show that as of Feb. 29, 1972 (the final date of these records, the only detailed loan records the fund has released), some \$12.4 million had been paid back on schedule. Auditors consulted by the Journal say that land-development loans are relatively risky and short-term and normally should be paid off in three to five years.

Mr. Dorfman pops up frequently in connection with such fund-financed business ventures. From 1964 to 1971, for example, some \$13 million in pension money was lent to Beverly Ridge Estates, a California land development whose promoters transferred two lots to Mr. Dorfman. The \$13 million was still owing when the fund foreclosed on the property in 1972. Two promoters of the project, I. Irving Davidson and Leonard L. Bursten, were convicted of bankruptcy fraud; Mr. Bursten was also convicted of mail fraud and income-tax evasion; and a third promoter, Roy Gene Lewis, was convicted of perjury, all in connection with Beverly Ridge.

Recently the fund, having poured \$13 million into Beverly Ridge, sold it for \$7 million to 32-year-old Allen R. Glick. That could be called cutting your losses, except that the fund lent Mr. Glick the entire \$7 million. That loan was for 25 years at 4% interest, far below what banks have been getting for their money from prime customers. (In the last few years Mr. Glick, who left the army in 1969 and spent the next several years working for housing and real-estate firms in San Diego, has been involved in fund loans totaling \$100 million, either as a borrower or as an officer of a borrowing firm.)

Mr. Dorfman also acquired, in 1968 or earlier, 25,000 shares of stock in a corporation that was developing Boca Teeca Country Club Estates in Boca Teeca, Fla. The corporation received \$5.1 million in teamster loans starting in 1968. As of February 1972, \$4.7 million was still owing on the loans, but Mr. Dorfman had done all right: On his 1968 federal income-tax return, he reported a \$49,000 gain from sale of the stock.

Directly or indirectly, Mr. Dorfman acquired interests in three other Florida properties that were financed with millions of fund dollars. As of February 1972, most of the money hadn't been repaid. According to testimony at Mr. Dorfman's trial in federal court in 1972, Mr. Dorfman and four partners took over one property, the Cove of Naples motel in Naples, Fla., without putting up a dime. They merely assumed an unpaid \$1,550,000 mortgage that the fund had granted the former owners.

Just when Mr. Dorfman and his four partners acquired the motel isn't clear. Mr. Dorfman says it was before he became the fund's consultant in March 1967. In any case, the five partners sold the motel in 1969 for a \$350,000 profit, the fund transferring the mortgage debt to the new buyer. In 1972 the mortgage remained fully unpaid, even as to interest. So the fund was still owed the \$1,550,000 principal plus \$237,938.56 in interest while its consultant and his partners had gained \$350,000.

#### PARTNERS IN DEAL

One Dorfman partner in the motel deal was Alvin Baron, a Chicago lawyer who has been receiving more than \$100,000 a year in legal fees from the fund and who also has acquired land at La Costa. The three other partners in the deal, according to the federal court testimony, were Morton Harris, Ira Burman and Harvey Silets, partners in a Chicago law firm that also collects substantial legal fees from the fund.

In addition, Mr. Harris was an officer, at least in 1972, of an Arizona land-development company that borrowed \$615,000 from the fund in July 1970 and had repaid less than \$500 of it by February 1972, according to fund records. Mr. Harris, whose firm also represents at least one other major borrower from the fund, told the Journal that his only income from the Arizona company was legal fees. "I feel there's no conflict," he said, "since the fund in this case was represented by other counsel."

Messrs. Baron and Dorfman also have large blocks of stock in Bally Manufacturing Corp. of Chicago, the slot-machine makers. Bally's operations have been helped along by some \$12 million in teamster financing. This financing began in 1964 with a \$2 million loan to the corporation operating the building that housed Bally, which was then the Lion Manufacturing Co. When Lions went into the slot-machine business that same year, an

important hidden owner, according to the Nevada Gaming Control Board, was Mafia boss Gerardo Catena, who, the board says, bowed out in 1965 when his holdings became known.

#### RECENT STOCKHOLDERS

More recent stockholders, Bally confirms, have included:

Frank Fitzsimmons, the general president of the teamsters' union.

Cal Kovens, a developer whose operations have been heavily financed by the fund and who has served prison time for defrauding the fund.

William Presser, an Ohio teamster leader who was a trustee of the Central States fund until he was forced out early this year after pleading guilty to violations of the Taft-Hartley Act in connection with the misuse of \$590,000 in union money (he was fined \$12,000 and given a suspended jail term).

Jackie Presser, William's son, who has been appointed fund trustee in his father's place, who now earns about \$200,000 a year from various teamster and other union jobs, and who reportedly once was president of a company that borrowed \$1.2 million from the fund to open a bowling alley in Cleveland and defaulted on the debt. (A spokesman for Jackie Presser declines to confirm or deny the bowling-alley story, which has been widely published, but did confirm the rest.)

Not all of those who have benefited from fund loans are union officials. Over the years, records show, the fund has lent employers of teamster members at least \$45.2 million, of which \$35.1 million remained owing as of February 1972. There have been several reports of workers' complaining that the union was deserting their interests in favor of the employer-borrowers.

#### TERMINAL SOLD

In 1964, for example, the fund lent \$1.7 million to finance a terminal for A.C.E. Freight Inc. of Akron, Ohio. In 1969, \$4 million in debt, A.C.E. sold its operating routes to Great Lakes Express Co., a transaction that cost about 1,000 jobs. Some 150 former A.C.E. truck drivers filed suit alleging that the sale of routes was in effect a merger, entitling them to retain seniority and, many of them, their jobs. Their lawyer, William Gore of Akron, says he and his clients tried to get support from the teamsters' union but failed. Some of the fired truck drivers assert that the union refused to help them because of its financial commitment to A.C.E. The drivers lost the suit.

When A.C.E. Freight sold its routes to Great Lakes Express, the A.C.E. terminal, with its big pension-fund mortgage, was sold to Spector Motor Freight Corp. of Chicago. Spector is one of the companies whose teamster employees have been transferred from one workplace to another, causing them to switch from one local to another and often costing them pension rights because some locals don't recognize other locals' pension funds.

Some teamsters say in interviews that they blame Spector for the loss of these rights, although they don't have evidence of collusion. Robert Dilley, terminal manager for Spector, says the company has never required an employee to switch locals, and that employees who are transferred from one location to another will switch locals only on their own or the union's volition.

As of February 1972, the 1964 loan of \$1.7 million had been paid down to \$1.3 million and still was listed on fund records in the name of A.C.E. Freight, which was out of business. Spector says it has been repaying the loan on schedule.

In another case, the fund lent \$12.3 million to Valley Steel Products Co. of St. Louis, another employer of teamster members. Valley's president until his death last year was the father of Robert Crancer, a young executive at Valley who married James R. Hoffa's daughter. When the loans were made, from 1963 to 1967, Mr. Hoffa was general president of the teamsters. In 1966 the truck drivers at Valley voted to strike after having rejected a contract the union had negotiated for them. According to Overdrive, a trucking trade publication, the strike was averted by direct pressure on the local from Mr. Hoffa. The current president of Valley, Patrick Gilligan, says there wasn't any outside interference. At any rate, some \$6.9 million was still owed on the loan in February 1972.

#### LOANS TO MOB FIGURES

Some fund loans have gone directly to companies controlled by mobsters and criminals. For example, beginning in 1963, some \$1.2 million went to Valley Die Cast Corp. of Detroit, whose president until a few years ago was Michael Santo (Big Mike) Polizzi, identified by federal authorities as an important figure in the Detroit Mafia. In 1972 Mr. Polizzi and Detroit Mafia don Anthony J. Zerelli were convicted of concealing their ownership of a Las Vegas casino as part of a plot to skim casino profits. As of February 1972, some \$800,000 was still owing on the fund loan to Valley Die Cast.

In 1971, after the fund foreclosed on a defaulted \$1.9 million loan to the lavish Savannah (Ga.) Inn & Country Club, a kind of East Coast La Costa, the fund trustees installed as manager Louis (Lou the Tailor) Rosanova, widely refuted as a Chicago Mafia associate.

Andrew Lococo, another mob associate, who over the years was convicted of burglary, larceny, violation of parole and perjury, was lent \$2.5 million from 1969 to 1971. The money was borrowed in the name of the Cockatoo Motel, a Los Angeles nightclub Mr. Lococo owned, but, according to Justice Department sources, much of it went to finance a large fishing boat Mr. Lococo planned to operate. He died last year.

Of course, you don't have to be a mobster or an insider to borrow money from the Central States fund, but if you aren't one, it can help to use an influential intermediary, such as Allen Dorfman. Mr. Dorfman served part of a one-year prison term in 1973 for taking a \$55,000 bribe in exchange for recommending to the fund's trustees a \$1.5 million loan to a firm operated by George Horvath, a textile manufacturer. Before the bribe was discovered in 1967, Mr. Horvath's various enterprises had borrowed \$16,791,850 from the fund over several years. As of February 1972, \$16,529,969 was still owed. Mr. Horvath received a suspended sentence and was fined \$2,000 for rigging the price of the stock of one of his companies.

#### THE PENASQUITOS PROJECT

The funds critics also say that its investments are too concentrated in several speculative areas. Most spectacular is the 16,000-acre Penasquitos land-development project in California. By February 1972 the fund had put \$118.7 million into Penasquitos—\$6.8 million of this had been repaid—and had committed \$25.6 million more. A spokesman for a team of auditors that examined the fund's records at the Journal's request said of Penasquitos:

"Never before have I seen a single loan of this magnitude. If that goes bad, you own San Diego. Hell, you own half of California."

Not quite, but the loan did go bad, and since 1973 the fund has owned the 16,000 acres, most of it undeveloped. And if the project ever earns enough to make up for the loss, the fund, under a 1973 agreement, will owe a 20% equity interest to the project's former co-owner, Morris Shenker, a St. Louis lawyer who has spent much of his long career representing James Hoffa.

Mr. Shenker says he introduced the fund to Penasquitos in 1965—possibly, he says under questioning, through Mr. Hoffa. He says his 1973 agreement absolved him of all debts to the fund and also "settled" millions of dollars in loans that Penasquitos had made, with fund money, to other Shenker business interests. Asked if his other interests repaid the money either to Penasquitos or to the fund, Mr. Shenker says the situation is "too complicated" to explain. The man hired by the Central fund to manage Penasquitos declined to disclose the development's current income to the Journal.

Another big concentration of fund loans and commitments—well over \$200 million—is in Nevada, primarily in gambling palaces. As with teamster loans in other places, the Nevada deals occasionally involve convicted criminals as either brokers, developers, employees or tenants.

#### SIXTEEN TRUSTEES RUN FUND

The Central States fund is run by a board of 16 trustees, eight representing union leadership and eight representing employers. Critics have complained that the trustees have thin experience as investment managers, though some do practice up on the side: From about 1967 to at least 1972, three trustees—two management and one union—were partners with Messrs. Baron and Dorfman in a private investment company.

The professional actuary for the fund since its inception has been Maxwell Kunis of New York, who 25 years ago was actuary for Union Casualty Co., the small insurance firm to which Paul and Allen Dorfman steered the heavy business of Chicago unions. According to testimony at 1959 Senate hearings, Mr. Kunis threatened one insurance executive with loss of all teamster business unless huge commissions were funneled to Allen Dorfman, even after New York State had withdrawn Mr. Dorfman's insurance license. (Mr. Kunis recently denied to the Journal that he made such a threat.)

Experts disagree on whether the 1974 federal pension-reform law will curtail abuses by the big fund. The law, which won't take effect until the government issues necessary regulations, does impose on trustees such general requirements as prudence and fiduciary responsibility.

Overdrive, the trucking magazine, which has been investigating the Central States fund for several years, recently reported that the fund hasn't been making loans this year—except those already promised—pending clarification of the new law. But since then has come disclosure of a new \$40 million commitment to Mr. Chenker to improve the Dunes hotel in Las Vegas.

Edward Dally, acting assistant director of the Office of Employee Benefits Security, which the Labor Department created to enforce the new law, says his small staff is too overwhelmed with routine work to think about investigation. "There's enough allegations in those Overdrive articles to keep two men busy for years," Mr. Dally says, and he adds, "We haven't got anybody."

[From the Wall Street Journal, July 24, 1975]  
**UNION FINANCIERS—HOW THE UNITED STATES  
 FAILED TO CONVICT SEVEN FOR DEALS WITH  
 TEAMSTERS FUND; TALE HAS MURDER AND  
 INTRIGUE, BUT FROM THE JURY BOX THE  
 PLOT HAD SOME HOLES—VOLLEYBALLS,  
 TOYS, AND DEATH**

(By Jonathan Kwitny)

A few years ago the U.S. government began investigating a series of unpaid loans in New Mexico that seemed to strike a recurrent theme in the history of the Central States, Southeast and Southwest Areas Pension Fund of the teamsters' union.

Seven men were indicted for conspiring to defraud the fund. If the prosecutors could win their case, the government expected further indictments and a change in the fund leadership.

A jury trial began last Feb. 3 in Chicago, where the fund is based. Nine weeks later, on April 10, after the expenditure of millions of dollars and thousands of man-hours, the trial ended. The defendants were acquitted on every count.

This is the story, based on 8,000 pages of trial transcript and numerous interviews, of how the Central States fund lost more than \$6 million over 15 years in loans secured by a continually insolvent factory in Deming, N.M.; how the Justice Department charged some of those involved with criminal intent; and how the government's case foundered, largely on the rules of evidence, leaving the fund's administrators firmly in control of \$1.3 billion in workers' pension money.

#### THE START OF THE MATTER

The fund got involved in Deming in 1959 when it put up about \$3 million to finance a new plant there for Auburn Rubber Co., formerly of Auburn, Ind., a maker of toys and other products. In 1969, Auburn Rubber folded. By then the loans totaled \$4.5 million, all unpaid. Counting interest, Auburn owed the fund \$4.9 million. The fund took over the plant.

This early history wasn't part of the case that the government presented to the jury in Chicago this year. That case was limited to the take-over of the plant by another group in 1971 with pension-fund loans that reached \$1.4 million.

Early in 1973, the Justice Department, the Internal Revenue Service and the Postal Service found themselves working coincidentally on a possible fraud in the 1971 loans, and they decided to pool their efforts to make one big case that would spearhead a broad attack on the fund administration. The Deming case appealed to the government partly because two men who ran companies that received some of the loan money had agreed to testify they were part of a scheme to defraud the pension fund.

#### A BOOKKEEPER FROM THE IRS

One was Harold Lurie, a thrice-convicted long-time business front man for Chicago Mafia. Mr. Lurie was trying to avoid further prosecution for tax evasion and had consented to let an IRS agent pose as his bookkeeper for two years, observing his transactions with other alleged conspirators. The second prospective insider witness was Daniel Seifert, who ran a company that helped channel teamster loan money to a man identified by the Illinois Crime Investigating Commission as a Mafia loan shark and collector.

But what made the Deming case even more appealing was the cast of alleged wrongdoers it involved. These are some of the persons who evidence showed benefited from the Deming loan money:

Felix (Milwaukee Phil) Alderisio, the most active Mafia boss in Chicago, who had once been overheard by FBI bugs as he boasted of murder and who was known to police as the "king of scam," scam being the planned bankruptcy of supposedly legitimate businesses. (Mr. Alderisio died in prison in 1972 while serving an extortion sentence, so he never came to trial in the Deming case.)

Allen Dorfman, longtime kingpin of Central States fund activity, who was just getting back into circulation after an eight-month prison stay for taking a \$55,000 bribe in the award of a fund loan.

#### FIGURE IN MURDER TRIAL

Anthony (Tough Tony) Spilotro, who Mr. Lurie said had boasted of being Mr. Alderisio's heir, and who at various times had been charged with, and acquitted of, robbery, burglary, gambling and murder. The murder acquittal, in 1973, was especially galling to authorities because a turncoat mobster gave excruciatingly detailed court testimony about how he, Mr. Spilotro and two others—using guns and butcher knife—savagely executed a stolen goods fence who was suspected of cheating on Mob accounts. Mr. Spilotro presented several witnesses to testify that he was buying furniture on the day of the murder.

Joseph (The Clown) Lombardo, the alleged loan-shark racketeer who got teamster money through Mr. Seifert's firm, and who over the years had been charged with, and acquitted of, burglary, loitering and kidnapping.

Ronald DeAngelo, long suspected by authorities of being the syndicate's electronics whiz. In 1970 federal agents burst in on him

in a converted minesweeper he was cruising in near the Chicago Police Department's lakefront headquarters. The boat was laden with radio intercept equipment. Unable to prove what they suspected he was doing with this gear, the agents noticed an oil slick behind the boat and obtained an indictment against him for polluting Lake Michigan. The indictment was thrown out of court.

The federal prosecutors also were attracted by evidence that two of the pension fund's 16 trustees had traveled to Deming to see the factory, and therefore could be indicted as part of the alleged conspiracy. They were Albert Matheson, a Detroit labor lawyer, and Jack Sheetz, head of a Dallas-based trucking employers' association.

The indictment came down in February 1974. Messrs. Dorfman, Spilotro, Lombardo, DeAngelo, Matheson and Sheetz were charged with conspiracy to defraud the Central States fund. So was Irwin Weiner, a Chicago bondsman who wrote bonds for the fund's trustees and who, according to testimony, had longstanding business ties with Mr. Lurie and Mr. Alderisio. The big trial was set.

Then, on the morning of Sept. 27, 1974, Mr. Seifert, one of the two key government witnesses, entered his office at International Fiberglass Co. in a Chicago suburb, accompanied by his wife and son. Two men in ski masks, surprised to see the entire family, shoved the wife and son into a lavatory and shot Mr. Seifert. But he fled into a hallway. There he encountered another man, with a shotgun, and turned to flee again. A buckshot blast ripped away the back of his head, but Mr. Seifert continued into the fiber-glass plant. The two men in ski masks chased him, firing and yelling to the startled employees to "Hit the deck!" They did. But Mr. Seifert managed to run out a back door. There he encountered another man with a shotgun, who fired at him point-blank. None of the witnesses has come forward with a good identification of the killers.

Mr. Seifert's death cast a pall over the U.S. Attorney's office. The prosecutors decided to drop the charges against Mr. Lombardo, since Mr. Seifert was to have been the primary witness against him. The other defendants went to trial. Matthias Lydon, chief of the government's three trial attorneys, soon found he had many problems besides the lack of a second insider witness to back up Mr. Lurie.

First, the jury was getting a very different picture of the defendants from the one being published in Chicago newspapers, which the jurors were forbidden to read. Defense attorneys presented Mr. DeAngelo and Mr. Weiner as independent businessmen who wanted to go into plastics manufacturing in Deming. They presented Mr. Spilotro as a businessman who wanted to borrow money from his friend Mr. DeAngelo.

So long as the three men didn't testify—none of the defendants did—the prosecution couldn't tell the jury of their backgrounds. Says Mr. Lydon now, "Probably the greatest problem of the case was not being able to explain who all these characters are and what they were doing together in the first place."

#### TRACKS AROUND TOWN

Another prosecution problem was that the IRS and Postal Service investigators had left elephant tracks around Deming since they began looking into the matter in February 1972. They thus tipped off the alleged conspirators that a criminal case was in prospect. Late in 1972, new accountants reorganized the plastics factory's books. Money that the government believed had been stolen was reclassified as loans.

For example, some \$15,000 in checks that were issued to Mr. Spilotro or a company of his might have seemed suspicious because Mr. Spilotro never worked for the plant in an official capacity. But the money was reclassified as loans to Mr. DeAngelo, an employee of the plant. It was then explained on the books that Mr. DeAngelo had requested the money for his friend Mr. Spilotro. Many of these newly classified loans were repaid—some by means of a \$20,000 salary bonus suddenly given to Mr. DeAngelo and charged off against loans to him and others. This new accounting evidently left the jury with the impression that only a small portion of the pension fund's money wasn't properly accounted for.

Moreover, the jury never learned of the fund's checkered history, including details of its earlier losses at Deming. For the jury, the alleged conspiracy began in the fall of 1970 at Gaylur Mercantile Co., a Chicago salvage firm.

#### A VISIT TO PRISON

Mr. Lurie was Gaylur's proprietor. He testified that a broker he dealt with told him Gaylur might make some money salvaging an inventory of toys for the Central States fund, toys that had been left at the old Auburn plant in Deming. The broker said both the plant and the inventory belonged to the pension fund, so Mr. Lurie called his friend Mr. Weiner, who he knew was a friend of Mr. Dorfman, special consultant to the fund.

At this point there was an important gap in Mr. Lurie's testimony. The jury didn't learn that Gaylur Mercantile had frequently been used as a "wash" for money going to

the late Milwaukee Phil Alderisio, Gaylur's real guiding genius. It didn't learn that Gaylur's payroll had sometimes included Mr. DeAngelo and Mr. Spilotro. And it didn't learn that the Deming deal had been approved, perhaps actually conceived, by Mr. Alderisio when Mr. Lurie visited the Mafia boss in prison.

Before telling his story to the jury, Mr. Lurie testified in the chambers of Judge William J. Bauer at a hearing to determine, under the rules of evidence, what the jury could and couldn't learn. There he engaged in the following exchange with Mr. Weiner's lawyer, Thomas Sullivan:

Q—Do you recall that Mr. Alderisio had sent word from prison that he wanted you to run the operation because he said you were the only one he has outside to run the operation who has any brains?

A—Yes, I remember that.

But Judge Bauer agreed with the defense lawyers that Mr. Alderisio's notoriety might prejudice the jury. So the jurors wouldn't hear any testimony involving the mobster. Nor would they learn that the government had relocated Mr. Lurie with a new identity to protect him, or that Daniel Seifert had been killed, justifying such caution; it was decided that these facts, to, were prejudicial.

The jury was told that in November 1970, Mr. Lurie and Mr. Weiner visited the plant and decided they could make money running it, as well as from selling the toy inventory. So they met with Mr. Dorfman, who told them that obtaining a pension-fund loan to take over the plant "shouldn't be too much of a problem." At the same time, Mr. Lurie testified, the three men agreed to split the projected \$30,000 profit from sale of the toy inventory, \$10,000 for each of them.

Documents showed that the toys were sold for \$31,687.75 and that Mr. Weiner later submitted a check to the fund for \$7,169.49 representing sale of the inventory. The defense said that the difference was plowed back into the business.

#### LOAN WINS APPROVAL

Precisely when Mr. Lurie and Mr. Weiner and their associates took over the plant isn't clear. Evidence showed that Mr. Dorfman promoted the project exuberantly in June 1971 at a meeting of the pension-fund trustees. The trustees then approved a \$600,000 loan to a new company, Gaylur Products Inc., headed by Mr. Weiner, to resume production at the Deming plant.

There ensued a strange parade through Mr. Lurie's Gaylur Mercantile warehouse. The participants picked out television sets, tape recorders, refrigerators, freezers, volleyballs—even urinals. Among those who received goods without paying for them, according to undisputed testimony, were Mr. Dorfman, his mother, his lawyer Harvey Silets (whose firm also represents the pension fund itself at times) and a children's charity favored by Mr. Dorfman. Mr. Lurie testified that Mr. Weiner told him to charge everything "to the Deming account," which would be reimbursed from the fund loan.

Meanwhile, Mr. Spilotro convinced Mr. DeAngelo to take charge of cleaning up the Deming plant and converting the machines there to the manufacture of plastic products. Mr. DeAngelo got a \$190,000 budget and a salary that reached \$500 a week after withholding. He also got a house, an airplane and a Cadillac. The government charged he should have paid income tax on these items, but the defense said he was holding them in trust for the company.

#### A SECOND LOAN

Soon after starting to work, Mr. DeAngelo reported that the plant needed repairs far more extensive than anticipated, sending Mr. Weiner (with Mr. Dorfman supporting him) back to the trustees for another loan. He obtained an additional \$298,000. At the trial, the prosecution contended that most of the necessary repairs were made under supervision of a prior caretaker and, anyway, cost much less than \$298,000. This led to literally weeks of arguing before an impatient jury over who made which repairs, when and for how much.

Defense attorney Sullivan seized on this nit-picking to help his cause. "It really is incredible," he told the jury in his summation, "that in Chicago in 1975 we spent about a week on the question of whether a roof leaked down in Deming in 1971, but we did. Well, that's all right. It's the taxpayers' money. . . . We finally decided it only leaked when it rained."

The roof wasn't the only thing accused of leaking. Extensive evidence showed that hundreds of thousands of borrowed dollars were used for purposes other than resurrecting the plant in Deming. Whether these purposes were nefarious or not was hotly debated, and some of the debates never reached the jury. Some of the items:

Before the IRS appeared in Deming in February 1972, Mr. Weiner pledged \$149,000 of Gaylur Products' fund money to secure bank loans for his personal business. Some \$113,000 of this borrowed collateral was foreclosed on, but later in 1972, after he knew he was under scrutiny, Mr. Weiner repaid the bank the \$113,000.

Mr. Weiner sent \$33,000 to help Mr. Spilotro and his wife resettle in Las Vegas and open a gift shop. (Judge Bauer wouldn't let the



jury hear about \$16,000 of this, paid in cash in a briefcase, on the ground that there wasn't proof that the \$16,000 came from Gaylur Products' money.)

Gaylur also invested, and lost \$42,000 in an unsuccessful venture to market mobile lunch stands called Weenie-Wagons. The Weenie-Wagon firm shared an address and two of its principals with Mr. Weiner's bonding company, and testimony also linked it to Mr. Lombardo and Mr. Dorfman.

Gaylur also bought several dozen trucks, gave them to a firm Mr. DeAngeles ran, and paid the firm to haul goods from Deming. When the Deming operation folded in 1973, the trucks were driven to Mr. DeAngeles's new home in Florida, apparently without payment to Gaylur. (The jury never learned about all this because the government wasn't aware of the truck deal when it drew the indictment and Judge Bauer refused to let prosecutor Lydon "gum this (trial) up with proof of another crime.")

#### AN OLDSMOBILE AND TAPS

The jury did learn of checks, written on the borrowed money for \$6,000 to pay criminal defense fees for Mr. DeAngeles and Sam Battaglia (though the jury didn't learn that this was the notorious mobster Teetz Battaglia or that payment of his fee was ordered by Mr. Alderisio); \$1,080 to complete payments on an Oldsmobile for Mr. Battaglia's son; \$2,200 for equipment to tap the phones of Mr. Weiner's children, whom he suspected of narcotics involvement (the Defense said the equipment later was used for security at the Deming plant); \$15,000 to help a friend of Mr. DeAngeles buy a trucking company (the money was repaid from the trucking company's cash); and \$24,000 (later repaid) to one of Mr. Weiner's bonding clients.

Then the jury heard Moe Shapiro, a long-time friend of Mr. Weiner and Mr. DeAngeles, testify that on July 7, 1971, he was chatting with Mr. DeAngeles and said, "Gee, I need \$4,500 if some body could borrow it to me." Then, Mr. Shapiro testified, "Ron, my friend, says, 'Moe, I would be happy to borrow it to you.'" The loan was made at once with Gaylur Products money. Mr. Shapiro never repaid it.

But the main issue at the trial wasn't petty chiseling. It was whether Mr. Weiner and his associates willfully misled the fund trustees when they obtained the loans. Their application in 1971 (which Mr. Lurie testified was prepared with Mr. Spilotro's advice) proposed three products for manufacture at the Deming plant: eight-track tape cartridges, five-gallon pails and Melamine dishes. Each would contribute about equally to a projected \$1.6 million annual profit.

The government contended that the tape-

cartridge proposal was misleading: The expert who Mr. Weiner said would run the operation testified that he had already rejected the Deming plant as "totally inadequate." The dish proposal was based largely on a letter from a Panamanian company promising large purchases; Mr. Lurie testified that he had forged the letter at Mr. Weiner's request. The pail proposal cited a "contract" for purchase of two million pails a year, but the purchaser turned out to be a company owned by Mr. Weiner's cousin, and it went out of business before Gaylur began large-scale production.

Nevertheless, the pail business proved genuine, and jurors have told the Journal in interviews that it was a big factor in their vote for acquittal. With U.S. Gypsum Co. a major customer, pails accounted for most of the \$1.5 million in sales that Gaylur (later renamed American Pail Corp.) made from 1971 until it closed in the fall of 1973. (Most other sales were of toy swim masks and fins, a product line Gaylur Products inherited from the old Auburn Rubber Co.)

#### A THIRD LOAN

When the pail business materialized in late 1972, so little remained of the original \$900,000 in fund loans that Mr. Weiner went back to the trustees and obtained \$500,000 more to buy material. But even in its supposed boom period in early 1973, Gaylur suffered big operating losses. Each pail cost \$1.11 to make (despite Gaylur's paying no rent or debt service to the fund) and sold for only 85 cents to meet competition.

The defense said costs would have dropped had Gaylur been able to maintain production as planned. But in mid-1973 Amoco Chemical Co., one of two main suppliers, cut Gaylur off from the oil-based plastic used to make the pails, causing a slowdown, then a shutdown. The jury wasn't allowed to learn the real reason for the cutoff.

That reason is apparent in internal correspondence from the Amoco credit department. The Journal has obtained copies. One memo was accompanied by articles from the Chicago Tribune about the local crime syndicate; the memo writer cites references in the articles to "our 'friends' in New Mexico" and urges that Amoco take "a hands-off attitude" toward Gaylur. A reply from a superior concurs, "due to their very questionable background."

Judge Bauer refused to allow the memos into evidence on grounds they would prejudice the jury. The defense was allowed to argue in court that the 1973 petroleum shortage was responsible for the cutoff—a seemingly logical explanation. This forced the government to come up with an alternative false explanation. The prosecutors argued

that Gaylur hadn't paid its bills on time. But the defense was able to show otherwise, which impressed the jury.

Perhaps the backbone of the defense was a two-day presentation by Arthur Young & Co. of a detailed—but not certified—accounting done by a team of auditors from the noted firm. The team acknowledged that it relied largely on information supplied by previous bookkeepers, who in turn had testified that they relied at least in part on information from Mr. Weiner and Mr. DeAngeles. By refraining from certifying the figures, the Arthur Young team refrained from guaranteeing their accuracy, but the team was able to account in some way for almost every penny of the loan money.

#### FINANCING OF THE AUDIT

Howard Doherty, a partner, testified that Arthur Young & Co. was receiving \$150,000 for its work, to be paid by two law firms representing defendants. But the Journal has obtained a copy of minutes from a meeting of the pension fund's board of trustees last Oct. 4. The minutes show approval of a motion to hire and pay Arthur Young to audit Gaylur Products. Thus, the minutes indicate that the backbone of the defense in the Chicago trial was paid for with money from the fund—which was supposed to be the victim of the alleged fraud. Spokesmen for Arthur Young say that they have no idea why the minutes should read that way, that the firm understood, and still does, that it was being paid by the defense law firms. Spokesmen for the pension fund declined to be interviewed by the Journal.

This confusion between victim and perpetrator dogged the entire trial. According to interviews with jurors, it heavily influenced the verdict. When the prosecution put on the stand as a purported victim Thomas J. Duffey, a trucking-company lawyer and a fund trustee, Mr. Duffey mainly fed the defense. As prosecutor Lydon listened in disbelief, Mr. Duffey on cross-examination said that once the fund made a loan, the borrower could use the money as he saw fit, regardless of the purpose stated in the application.

Mr. Duffey said the trustees had been satisfied with the unaudited financial statements Gaylur turned in. The defense leaned on this testimony in its summation, along with other testimony from the fund that its own accountant and efficiency expert had gone to Deming and approved Gaylur's operation of the plant.

The effect of all this on the outcome of the case is illustrated by one juror's comment:

"For fraud to exist, the person being defrauded must be somewhat naive. These pension-board members weren't that naive."



U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

December 2, 1975

Honorable Harrison A. Williams, Jr.  
Chairman

and

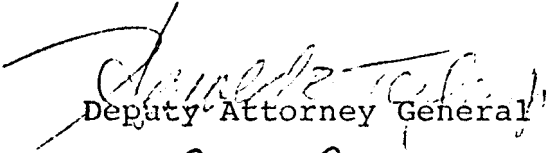
Honorable Jacob K. Javits  
Ranking Minority Member  
Senate Committee on Labor and  
Public Welfare  
United States Senate  
Washington, D. C. 20510

Gentlemen:

In reference to our recent conversations concerning the Teamsters' Central States Pension and Welfare Funds and the disappearance of former Teamsters' President, James R. Hoffa, we wished to take this opportunity to set forth the activities of the Department of Justice and the Department of Labor in our respective areas of jurisdiction.

As the enclosed memoranda set forth, our investigatory and enforcement resources have been dedicated to a thorough and well coordinated effort to ensure the effective enforcement of the Federal criminal and labor relations laws. We appreciate your interest in these two issues of national importance and assure you of our continuing efforts to guarantee the effective administration of the Federal civil and criminal laws.

Sincerely,

  
Deputy Attorney General

  
Secretary of Labor

Enclosures



December 2, 1975

MEMORANDUM RE: JUSTICE DEPARTMENT'S INVESTIGATIVE  
EFFORTS REGARDING THE HOFFA DISAPPEARANCE

The effort being expended by the Justice Department in the Hoffa case is considerable. For example, in Detroit, where Hoffa disappeared and hence where the investigation is primarily concentrated, the FBI office has expended 19,319 agent manhours and 2,936 clerical manhours as of November 25, 1975. Six attorneys from the Detroit Strike Force have also been working on the case, two of them full-time, and one attorney has been detailed from Buffalo to Detroit to work full-time on the case.

The investigation has not been confined to Detroit. Two attorneys from the Newark Strike Force have also been working on the Hoffa case, supported by appropriate FBI activity, and similar investigations involving one attorney, are being carried on by the Strike Forces in New York, New Orleans, Chicago, and Cleveland.

The investigation so far has focused on finding potential witnesses, interviewing them, and putting them before a grand jury. Massive as the effort has been, the investigation is still continuing and it is, therefore, impossible for me to supply you with any further details at this time.





MEMORANDUM RE: CENTRAL STATES TEAMSTERS' PENSION AND  
WELFARE FUNDS

A comprehensive investigation of the Central States, Southeast and Southwest Areas Pension Fund requires close coordination between the Departments of Justice and Labor in order to maximize the investigative and litigating resources of both Departments and to allow the greatest flexibility in applying the criminal and civil sanctions now available. In order to achieve this kind of cooperation, James D. Hutchinson, Administrator of Pension and Welfare Benefit Programs, U.S. Department of Labor, met on a number of occasions in October, 1975 with Harold R. Tyler, Deputy Attorney General, and Rudolph W. Giuliani, Associate Deputy Attorney General, U.S. Department of Justice, to lay the groundwork for establishing a mechanism to assure cooperation. On October 28, 1975, a meeting was held in the office of the Deputy Attorney General to discuss in detail the best way to achieve the cooperation that would be necessary to investigate and seek remedial relief if necessary against the Central States, Southeast and Southwest Areas Pension and Welfare Funds. The participants in that meeting agreed that a Policy Committee should be established to oversee the investigation. This committee would deal with questions such as the appropriate way in which to staff particular investigations of the Funds, the question of whether certain situations would be best handled by civil process



or grand jury subpoena, and the question of whether civil or criminal remedies would be the most appropriate.

As the attached Memorandum of Understanding between the Departments indicates, the Justice and Labor Departments agree that both a Policy Committee overseeing the investigation and a Joint Task Force with members of both Departments conducting the investigation is the most productive way to assure full use of investigatory resources and available remedies. A Department of Labor Task Force is already operational, and is proceeding with the initial phases of our investigation of the Central States, Southeast and Southwest Areas Pension Fund.

To date, the Department of Labor Task Force has completed an exhaustive multiweek review of records currently in the custody of government agencies. This information includes records and data focusing on the assets and investment practices of the Fund, as well as its operations in providing benefits to participants and beneficiaries. The Task Force is now prepared to commence a thorough audit of the Central States Funds' books and records. To be done thoroughly and effectively, this effort will require the expenditure of a great deal of time and resources, and therefore, it would be premature to predict



with certainty when this audit will be completed and the ultimate results it will achieve.

We are confident that with the evidence we now possess and the joint organization herein described, we can mount an effective investigation of the Central States Pension and Welfare Funds, and we are resolved to commit to our efforts the resources necessary to conclude a thorough and effective investigation of these matters.

Attachment



## MEMORANDUM OF UNDERSTANDING

In order to ensure the most effective use of the investigatory and litigation resources of the Department of Justice (Justice) and the Department of Labor (Labor) in pursuing their respective statutory obligations under Title 18 of the United States Code, the Employee Retirement Income Security Act of 1974 (ERISA), and other appropriate statutes, including the Welfare and Pension Plan Disclosure Act (WPPDA), and the Labor-Management Reporting and Disclosure Act (LMRDA), the two Departments hereby agree to the following coordination procedures in their review of the Central States Teamsters Pension and Welfare Funds (the Fund).

I. There shall be established an Interdepartmental Policy Committee (Policy Committee) comprised of the following representatives of each Department:

James D. Hutchinson  
Administrator of Pension and Welfare  
Benefit Programs

William J. Kilberg  
Solicitor of Labor

Rex E. Lee  
Assistant Attorney General  
Civil Division

Richard L. Thornburgh  
Assistant Attorney General  
Criminal Division

Samuel K. Skinner  
United States Attorney  
Northern District of Illinois

The Policy Committee shall review basic policy decisions on investigation and remedial action to ensure that the resources





of both Justice and Labor are pursuing activities which are neither overlapping nor inconsistent. For example, although responsibility for prosecuting criminal violations would be with Justice and primary litigating authority for civil violations under ERISA would be with Labor, the Policy Committee would review such questions as when and where particular proceedings should be initiated and whether in a given case criminal or civil cases should be brought. In addition, the Policy Committee would deal with questions such as whether civil process or grand jury proceedings are most appropriate as a vehicle for obtaining information in given situations.

II. The presently constituted Department of Labor Central States Task Force (Task Force) comprised of Labor attorneys and investigators will be expanded to include attorneys from the Department of Justice. It is intended that this direct, operational level coordination will ensure that those who are investigating the Fund will on a daily basis be communicating with each other and coordinating their efforts.

The operational control of the Labor personnel on the Task Force will remain with the Task Force Director; however, the Director shall consult with the Justice attorneys on the Task Force so that full consideration

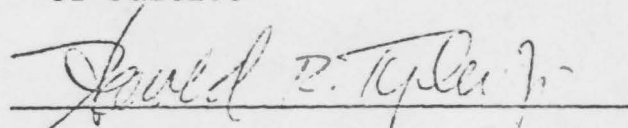


of the civil and criminal aspects of any actions can be reviewed and so that all matters which warrant discussion or review by the Policy Committee can be referred for its consideration.

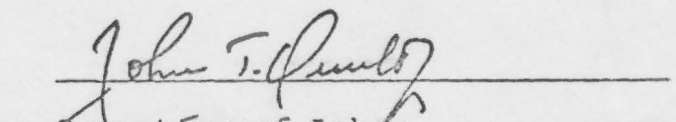
III. Consistent with prior practice, Labor investigators will be made available to provide resources for general criminal and organized crime investigations by the Department of Justice which arise out of matters involving pension and welfare funds within the jurisdiction of the Department of Labor, including matters which involve the Fund.

IV. There shall be established a procedure within Justice to ensure that all matters involving the Fund which are the subject of current or proposed activities of the various United States Attorneys and Organized Crime Strike Forces shall be brought to the attention of the Task Force and Policy Committee to ensure efforts which are consistent with Justice's and Labor's commitment to a coordinated review of the Fund.

On Behalf of the U.S. Department  
of Justice

  
Deputy Attorney General

On Behalf of the U.S. Department  
of Labor

  
Secretary of Labor

