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News Release

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East Los Angeles community hospital executives ordered to repay \$600,000 to employee retirement plan, following US Labor Department investigation

Employees' retirement deductions used to operate hospital before bankruptcy filing

LOS ANGELES — Two former corporate officers of an East Los Angeles community hospital have been ordered to repay \$600,692 plus post-judgment interest to the ElaStar Community Hospital Retirement Savings Plan, according to the terms of a consent judgment and order filed in the U.S. District Court for the Central District of California's Southern Division.

The judgment and order resolve a lawsuit filed by the U.S. Department of Labor against USA Star Healthcare Group — East Los Angeles, doing business as ElaStar Community Hospital, as well as officers Andrea Kofl and Richard Yardley. At the time of the violations, Kofl and Yardley were the chief executive officer and chief financial officer, respectively, of ElaStar, as well as shareholders of its parent company.

In addition to restoring the funds, Kofl and Yardley must pay a 20 percent penalty. Both have been removed as plan fiduciaries and are permanently barred from serving as service providers or fiduciaries to any plan covered by the Employee Retirement Income Security Act. **The court also appointed Fiduciary Experts LLC of San Diego as an independent fiduciary to manage and wind down the plan, and distribute plan assets to eligible participants and beneficiaries.**

"Retirement savings are a vital part of ensuring a steady income after we leave the workforce, and that's why they are given special legal protections," said Phyllis C. Borzi, assistant secretary of the Labor Department's Employee Benefits Security Administration. "Unfortunately, the individuals entrusted with protecting this plan violated those safeguards. However, our rigorous enforcement of the law in this case will help to restore the money that participants lost in the hospital's plan."

The department's suit alleged that from Nov. 5, 2002, through Aug. 6, 2004, the defendants caused ElaStar Community Hospital to fail to remit \$412,886.63 in contributions and participant loan payments to the plan that had been withheld from employees' paychecks. Instead, the defendants retained and commingled the money in other hospital accounts. The defendants also failed to forward employee contributions and participant loan payments to the plan in a timely manner, resulting in deposits up to 301 days late. Nearly 200 former workers and beneficiaries are enrolled in the now-bankrupt hospital's retirement plan.

"These employees believed they were saving some of their wages for retirement, and expected the defendants to hold that money in trust," said Crisanta Johnson, EBSA's regional director in Los Angeles. "We are pleased that as a result of this action, funds will be returned to employees who set their money aside."

This case is part of EBSA's national enforcement initiative to safeguard workers' contributions to 401(k) and health benefit plans. The case was investigated by EBSA's Los Angeles Regional Office and litigated by the department's regional solicitor in San Francisco. Employers and workers can contact EBSA at 626-229-1000 or toll-free at 866-444-3272 for help with problems relating to private sector pension and health plans. Additional information can be found at <http://www.dol.gov/ebsa/>.

Solis v. USA Star Healthcare Group-East Los Angeles Inc.

Civil Action No. SACV11-00307