

SEC sues Stateline man involved in CalPERS scandal

By Dale Kasler, Sacramento Bee

The U.S. government sued the two key figures in the CalPERS bribery scandal Monday, targeting the pension fund's former chief executive and a businessman who earned millions in finder's fees from CalPERS investment deals.

The Securities and Exchange Commission's lawsuit steps up the pressure on former CalPERS CEO Fred Buenrostro and his longtime friend, Stateline businessman Alfred Villalobos. It also contains new details about how the alleged fraud was carried out.

According to the suit, the pair cobbled together a series of phony letters bearing the pension fund's logo. The SEC said the letters were used to dupe Villalobos' top client, Wall Street powerhouse Apollo Global Management, into paying him fees totaling \$20 million.

It's the latest major legal action against Buenrostro and Villalobos. State officials have already sued the two men, saying Villalobos bribed Buenrostro and others at CalPERS to influence investment decisions. Both have denied any wrongdoing.

The SEC's lawsuit was welcomed by CalPERS, even though it creates fresh momentum for a scandal that has dogged the California Public Employees' Retirement System for more than two years.

"We believe the SEC's action ... brings us one step closer to closing this chapter in our history," said Anne Stausboll, who replaced Buenrostro as CEO of CalPERS after he left in 2008.

Buenrostro, 62, was married at Villalobos' Lake Tahoe mansion. He joined Villalobos' firm, Arvco, the day after leaving CalPERS, and state officials said Villalobos, 68, bought him a condo at Tahoe.

Besides damaging the pension fund's image, the Villalobos affair has been costly financially. An investigator hired by CalPERS said last year that some of the pension fund's investment partners probably inflated the fees they charged CalPERS in order to pay Villalobos' commissions.

The SEC suit "is another impressive action by law enforcement authorities and I expect more from them to come," said the CalPERS investigator, Philip Khinda, a lawyer in Washington, D.C.

What comes next is unclear. CalPERS officials have said a criminal investigation into Villalobos and Buenrostro's actions has been under way for more than a year. Stausboll refused to speculate on whether any charges would be filed.

The SEC's lawsuit was filed in U.S. District Court in Nevada, where Villalobos and Buenrostro live. It demands they "disgorge all ill-gotten gains from their illegal conduct," plus interest.

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