

Editorial: CalPERS charges long overdue

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If you read the full text of the federal indictment charging the former chief executive officer of the California Public Employees' Retirement System with fraud and conspiracy, it would appear he did nothing more serious than crudely cut and paste the CalPERS logo on his business card to create some phony letterhead.

But, according to prosecutors, the letterhead former CalPERS CEO Fred Buenrostro allegedly forged – and then signed and backdated – allowed his friend and benefactor Alfred Villalobos to collect \$14 million in fees from a CalPERS investment partner, Apollo Global Management. The letterhead was used to create fraudulent “investor disclosure” letters that Villalobos needed to collect those fees.



Alfred
Villalobos

CalPERS' chief legal counsel and officials from its investment office had repeatedly refused to sign the letters, without which Villalobos could not be paid.

Just weeks after he signed the forged documents, the indictment says, Buenrostro retired from CalPERS and went to

work for Villalobos, who lives in Stateline.

Prosecutors have charged Buenrostro and Villalobos with conspiracy, mail fraud and wire fraud. In addition, Buenrostro is charged with lying to investigators and obstruction of justice. The charges could send them to prison for more than 30 years. Neither man has entered a plea, but lawyers for both told the *Bee's* Dale Kasler that their clients were not guilty.

Still, the forged documents provide a smoking gun – strong evidence of a conspiracy that is simple and easy to prove in a court of law. Were the documents forged? Were they sent through the mail? Did one of the defendants lie to prosecutors about them?

But it's the conduct underlying those documents that goes to the heart of the corruption that has engulfed the highest levels of leadership at the state's \$248 billion pension fund. Civil suit allegations filed earlier by the state and the federal governments against Villalobos and Buenrostro previously disclosed lavish round-the-world trips taken by Buenrostro and former CalPERS board member Chuck Valdes that Villalobos paid for.

Villalobos allegedly paid for Buenrostro's 2004 wedding at his Lake Tahoe mansion, treated him to stays at casinos in Lake Tahoe and China and even financed a Lake Tahoe condo.

Buenrostro and Villalobos are entitled to a presumption of innocence. But if they are convicted – and the evidence against them appears very strong – it shows dangerous rot at the very top levels of the state pension fund.

Even if not charged with bribery, a conviction would demonstrate that at least one CalPERS official was bribed over several years to steer billions of dollars of investment funds to Villalobos' clients.

Although CalPERS board President Rob Feckner said it "was a

good day" when the indictments were announced, he was on the board when Villalobos and Buenrostro are alleged to have committed crimes. He and other sitting board members from that time bear at least some responsibility for the rot that infested the top ranks of this pension system.