Calif. pension fund CEO sentenced for bribery

By Associated Press

A federal judge Tuesday sentenced the former head of the nation's largest public pension fund to four and 1/2 years in prison in a case in which the pension fund CEO acknowledged accepting more than $200,000 in bribes and trying to steer investments to help an associate.

Senior U.S. District Court Judge Charles Breyer called the case against Federico Buenrostro, the former chief executive of the California Public Employees' Retirement System, "seriously troubling" and said it reflected a "spectacular breach of trust for the most venal of purposes, which is self-enrichment."

Buenrostro, 66, pleaded guilty to fraud and bribery charges two years ago, saying he started taking bribes around 2005 to try to get CalPERS staff members to make investment decisions that helped Alfred Villalobos, an investment manager and former board member of the pension fund.

Buenrostro said he accepted cash, a trip around the world and allowed Villalobos to pay for his wedding in Lake Tahoe. Villalobos killed himself last year, weeks before he was set to go on trial. He had pleaded not guilty to fraud charges.

"I take full responsibility and accept the consequences of the actions I took," Buenrostro, in a blue jail outfit and leg irons, told the judge before he was sentenced. "I'm humiliated, embarrassed and deeply ashamed of my actions."

Buenrostro's guilty plea came out of a yearslong investigation into the role of money-management firm middlemen, called placement agents, in helping clients win investment business

from the pension fund. The fund manages health and retirement benefits for state employees and has about $290 billion in assets.

Rob Feckner, CalPERS board president, said in a statement after the sentencing that the agency has taken “meaningful steps” to improve accountability and transparency.

“This saga has now come to an end,” he said. “We are stewards of a sacred trust, and it must never be compromised for personal gain.”

As part of his plea deal, Buenrostro acknowledged giving Villalobos access to confidential investment information and forging letters that allowed firms connected with Villalobos to collect a $14 million commission on $3 billion worth of pension fund investments.

The former executive faced up to five years in prison, but the U.S. Attorney’s Office asked for a four-year term, citing Buenrostro’s cooperation in the case against Villalobos. He also has agreed to pay back $250,000 to the state, prosecutors said.

Tim Lucey, representing the U.S. Attorney’s Office, said Buenrostro had helped prosecutors understand the extent of his conspiracy with Villalobos and investigate other cases. He did not provide details about the other cases.

“This was one of the most startling and serious cases of public corruption in the history of the state of California…,” he said. “That being said, Mr. Buenrostro did come forward and admit to what he had done.”

Prosecutors sought the shorter sentence despite Buenrostro getting sent to jail when he violated the terms of his probation on a misdemeanor domestic violence charge by making contact with the victim, authorities say. He pleaded no contest in that case in March.