

## State Street faces more lawsuits: Report

by CNNMoney.com

NEW YORK (CNNMoney.com) -- State Street Corp., the Boston financial-services giant, could be hit with lawsuits by investors, including attorneys general in Idaho and Alaska, upset over steep losses suffered during the credit market turmoil, a newspaper reported Friday.

The company's State Street Global Advisors unit, which handles \$1.9 trillion in assets, made aggressive bets on mortgage-backed securities, derivatives, and other investments, according to the Wall Street Journal.

Investors in the bank's bond funds believed them to be low-risk investments, the paper said.

Attorneys general in Alaska and Idaho could sue State Street (Charts, Fortune 500) over losses their state retirement funds suffered in two "enhanced index" bond funds, the Journal said.

The two states have since pulled out of the funds, which resulted in steep losses this summer, the paper reported.

State Street was sued earlier this week by a unit of Prudential Financial Inc. (Charts, Fortune 500) over its losses in the same bond funds.

In Alaska, the bond fund was popular with customers nearing retirement and looking for conservative investments that were a little better than a money-market fund, Jerry Burnett, an Alaska state official, told the Journal.

The value of the investments by Alaska state workers in State Street's Government/Corporate Bond Fund fell from \$36 million to \$30 million between late June and late August, according to Alaska revenue officials. When the board dropped the fund on Aug. 24, the bond fund was down 18 percent for the year, officials told the Journal.

In Idaho, the Public Employee Retirement System had five percent of its \$11.4 billion fund in State Street's Government/Credit Bond fund, the paper reported. The state declined to say how much it lost, but Prudential reported that the same bond fund dropped in value by at least 12 percent in July and August.

State Street told the Journal the Alaska and Idaho employee retirement plans still have money invested in other State Street funds and "remain valued clients."

"We are confident that we comprehensively and accurately communicated the investment objectives of the funds in which they were invested," the company said to the Journal.

---

Â© 2007 Cable News Network. A Time Warner Company. ALL RIGHTS RESERVED.

Presented by InsuranceHeadlines.com

*State Street faces more lawsuits: Report by CNNMoney.com*