

## Local pension boards gird for Asia fund losses ; Potential loss spurs talk of state role natick

Article from: [The Boston Globe \(Boston, MA\)](#) | Article date: [May 8, 2008](#) | Author: [Erica Noonan](#)

GLOBE WEST1

Natick's municipal pension fund may have lost as much as \$2.6 million invested in an Asian hedge fund that appears to be bankrupt, and a local official is questioning whether the town's pension management should be turned over to the state.

Natick is not the only Massachusetts community with a stake in First America Asia Fund I LLC. Retirement boards for public employees in Middlesex County, Brockton, Haverhill, and Salem all invested in the fund, most of them between \$1 million and \$3 million, said Michael Sacco, a lawyer for the Natick Retirement Board, which has an \$88 million portfolio.

The New Orleans Firefighters Pension Board, its largest single shareholder, is suing the private equity fund, which was managed by Oregon-based Cutler Asia and was valued at one time at \$33 million, according to Sacco. Natick, which made its investment in 1999, has not joined the plaintiff list, Sacco said, although the town retirement board is monitoring the lawsuit's evidence-gathering phase and has discussed the case behind closed doors, in executive session. The secrecy is meant to protect the search for evidence to sue the fund, not to withhold information from the public, according to Sacco.

Sacco said investors believe the First America Asia Fund may be defunct, adding it has been a struggle to get even the most basic factual information about its current status. The fund invested money in Chinese business ventures.

Natick's pension board may have to consider writing off its investment for \$1, as some other investors already have. Sacco and Natick pension managers said they still hope to salvage at least some of the town's multimillion-dollar share.

Town officials say taxpayer dollars will likely have to be used to make up for poor investment choices, and Natick might benefit from entering the Pension Reserves Investment Trust, or PRIT, the state's \$50 billion pooled investment system.

"I'm concerned that the board has nearly \$3 million invested and their attorney can't get any information," said Natick Selectman Josh Ostroff, who has been monitoring the issue and gave a status report to his board Monday night.

"If that were the case with a \$3 million investment made by our board, and we couldn't tell the voters about the status of our assets, heads would roll," he said.

But Sacco defended the investment in Cutler Asia's fund as a mistake that could - and did - happen to a number of experienced investors. It was on a list of trusted hedge funds vetted by PRIT, he said, adding that Natick expected a handsome, 30 to 40 percent return from the fund over its lifetime.

"Hindsight is 20/20," he said. "Any loss the board realizes with Cutler Asia was not due to incompetence or mismanagement. It's much more about the actions of Cutler Asia."

Critics of Natick's municipal retirement-fund management say the town would enjoy more clout if it pooled its assets with PRIT, and could realize annual double-digit returns, rather than Natick's average annual return rate of 8 percent.

Ostroff said the state fund might also get quicker results when demanding answers about the fate of a troubled fund such as Cutler Asia.

Sacco disputed that assessment. "I doubt they'd have any more luck getting information out of New Orleans via China than we have," he said.

The investment trouble comes at an active time for the Natick Retirement Board, which is in the process of hiring a new company to manage its assets, and will spend the next several months sorting through proposals from the 19 companies that have applied.

Also, an election for a seat on the retirement board is planned for June 27, with Eileen E. Manning-Merritt and James V. Arena Jr. running against incumbent Robert Drew, who is serving as the board's chairman.

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