

THE COMMONWEALTH OF MASSACHUSETTS
Public Employee Retirement Administration Commission
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MEMORANDUM

TO: All Retirement Boards

FROM: Joseph I. Martin, Deputy Executive Director

RE: PERAC Tobacco Company List

DATE: July 29, 1998

On October 22, 1997 PERAC MEMO #37/1997 informed you of the adoption of Chapter 119 of the Acts of 1997. That statute prohibits retirement systems from making any new investments in stocks, securities, or other obligations of any company which derives more than 15% of its revenue from the sale of tobacco products. On December 18, 1997 PERAC sent Memo #48 regarding the implementation of Chapter 119 and the first PERAC Tobacco Company List.

Enclosed please find a list of additions and deletions to the PERAC Tobacco Company List dated January 13, 1998. These revisions are effective upon receipt by the retirement boards. After that, no new investments may be made in stocks, securities, or other obligations of these companies. Please forward it to your investment advisors or inform them that this list is available on the PERAC Home Page. PERAC will update this list on a quarterly basis and send each board a list of additions and deletions. On an annual basis, PERAC will send a revised list to each board.

As part of its audit process, PERAC will assess the portfolio of each board to determine compliance. That review will determine if the board, after January 13, 1997, has purchased stock, securities, or other obligations of any company which derives more than 15% of its revenue from the sale of tobacco products. In the event a portfolio is not in compliance, the board must bring the portfolio into compliance by divesting in a prudent manner. Prior to taking any action, the board shall consult with PERAC.

In applying the statute to pooled funds, PERAC will assess the 15% rule against the entire pool as the board is purchasing shares in the pool not the individual holdings of the pool. Thus a pooled fund, if in violation of this standard, will be included on the PERAC List.

If you have any questions, please call Robert Shaw, Director of the Pension Investment Advisory Unit at 617-666-4446 ext. 922.