

MEMORANDUM

TO: To All Retirement Boards

FROM: Robert F. Stalnaker, Executive Director

RE: Chapter 119 of the Acts of 1997

DATE: October 22, 1997

Attached please find a copy of Chapter 119 of the Acts of 1997 which was signed into law on October 15, 1997 by Governor Cellucci. This law places certain restrictions on investments by Massachusetts public pension systems. Specifically, retirement systems are prohibited 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. PRIM is required by this law to divest all tobacco investments within three (3) years. The legislation, and thus the restriction, takes effect on January 13, 1998.

The Public Employee Retirement Administration Commission (PERAC) will issue guidelines for compliance. Retirement Boards should send each investment manager, consultant, and custodian a copy of this memorandum and the attached legislation.

If you have any questions in this regard, please call Robert Shaw, Director of the Pension Investment Advisory Unit at 727-9380 ext. 637.

/cjc

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Attachment

H3905

Chapter 119

THE COMMONWEALTH OF MASSACHUSETTS

In the Year One Thousand Nine Hundred and Ninety-seven

AN ACT REQUIRING DIVESTMENT OF TOBACCO STOCKS, SECURITIES OR OTHER OBLIGATIONS FROM PUBLIC PENSION FUNDS.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

SECTION 1. Subdivision (2) of section 23 of chapter 32 of the General Laws, as appearing in the 1996 Official Edition, is hereby amended by inserting after the word “policy”, in line 205, the following words: - and no new investment of funds shall be made in stocks, securities, or other obligations of any company which derives more than 15 per cent of its revenues from the sale of tobacco products;.

SECTION 2. Said subdivision (2) of said section 23 of said chapter 32, as so appearing, is hereby further amended by adding the following paragraph: -

(h) Clauses (i), (ii), and (iii) of paragraph (g) shall apply to any retirement system named in paragraph (a).

SECTION 3. Paragraph (h) of subdivision (2A) of said section 23 of said chapter 32, as so appearing, is hereby amended by inserting after the first sentence the following two sentences: - No public pension funds under this subdivision shall remain invested in the stocks, securities, or other obligations of any company which derives more than 15 per cent of its revenues from the sale of tobacco products; provided, however, that if sound investment policy so requires, the PRIM board may vote to spread the sale of such stocks, securities or other obligations of such company over no more than three years, so that no less than one-third the value of said investment is sold in any one year. So long as any funds remain invested in any stocks, securities, or other obligations of any such company, the PRIM board shall annually, on or before January 31, file with the clerk of the senate and the clerk of the house of representatives a report listing all such related investments held by the fund and their book value as of the preceding December first.