

**THE COMMONWEALTH OF MASSACHUSETTS**

Public Employee Retirement Administration Commission  
John W. McCormack Building, Room 1101  
One Ashburton Place, Boston, MA 02108  
(617) 727-9380

MEMORANDUM

TO: All Retirement Boards

FROM: Robert F. Stalnaker, Executive Director

RE: Implementation of the Tobacco Statute

DATE: December 18, 1997

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. The legislation takes effect on January 13, 1998.

As stated in that MEMO, PERAC is issuing these guidelines for implementation of Chapter 119:

1. PERAC will develop a list of companies the securities of which may not be purchased by retirement boards and disseminate that list to the boards. The first such list is attached. This list is effective January 13, 1998. Please forward it to your investment advisers. PERAC will provide updates of the list to you as warranted.
2. 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, 1998, has purchased stock, securities, or other obligations of any company which derives more than 15% of its revenue from the sale of tobacco products.
3. 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.
4. 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.

I hope this is helpful to you as we move forward to implement this new statute.