CAMBRIDGE RETIREMENT BOARD

795 MASSACHUSETTS AVENUE, CAMBRIDGE, MASSACHUSETTS 02139

(617) 349-4114

FAX (617) 349-4119

M E M O R A N D U M

TO: Cambridge City Council

FROM: Anne C. Leduc, Executive Director AL

DATE: May 12, 1997

RE: **ORDER #54/INVESTMENTS IN TOBACCO INDUSTRY**

In an effort to update the Cambridge City Council, the Cambridge Retirement Board has expressed their desires to discourage investment managers from investing in tobacco companies while not subordinating the interests of the members and beneficiaries of the System.

Attached are some comments from those managers.

If you have any further comments or concerns, please don't hesitate to contact me.

CCM-101

City of Cambridge

54.

IN CITY COUNCIL

May 12, 1997

COUNCILLOR GALLUCCIO

WHEREAS: On September 24, 1990, the Cambridge City Council unanimously adopted an order requesting the City to divest investments and pensions funds in the tobacco industry; and

WHEREAS: Tobacco use among the youth continues to increase at an alarming rate; and

WHEREAS: The City Council has enacted an ordinance which limits tobacco access to young people and protects the rights of non-smokers to clean air; and

WHEREAS: The Massachusetts Legislature is currently considering House Bill 3905 sponsored by Representative Businger which would require the divestiture of all public funds in companies which derive more than 15% of their revenue from the sale of tobacco products; now therefore be it

RESOLVED: That the Cambridge City Council go on record reinforcing its will to divest Cambridge public pension funds from tobacco related companies and further go on record supporting House Bill 3905; and be it further

RESOLVED: That the City Clerk be and hereby is requested to forward copies of this resolution to the Speaker of the House of Representatives, the Senate President, the Governor, and the Cambridge delegation in the Senate and House to record the City Council's support for House Bill 3905.

SEGAL ADVISORS, INC.

116 Huntington Avenue
Boston, Massachusetts
02116-5712
617-424-7327
FAX: 617-424-7390

Alison B. Ellsworth, CFA
Vice President

May 9, 1997

Ms. Anne C. Leduc
Executive Director
795 Massachusetts Avenue
City Hall
Cambridge, MA 02139

Dear Anne:

All Investment Policy Statements in place for the Cambridge Contributory Retirement System are written to direct investment managers retained by the Board to invest the assets of the System in compliance with Massachusetts General Law Chapter 32. There is currently no statute in place within the MGL Ch.32 that restricts the Massachusetts Contributory Retirement System from investing in tobacco companies. The Cambridge Retirement Board has, however, expressed a desire to discourage their investment managers from investing in tobacco companies while not subordinating the interests of the beneficiaries of the System. The Board has stated this desire as follows:

> "It is the intent of the Board to encourage the manager to restrict its investments in companies involved with the manufacturing and or sales of tobacco products."

Please call if you need anything additional informational.

Sincerely,

Alison Ellsworth

Alison B. Ellsworth, CFA
Vice President

CHARLES RIVER VENTURES

May 9, 1997

Anne Leduc
Executive Director
City of Cambridge Contributory Retirement
Cambridge, MA 02139

Dear Anne:

The purpose of this letter is to inform you that Charles River Ventures has never and does not intend to invest in the tobacco industry.

Sincerely,

Paul J. Conway
Chief Financial Officer

1000 Winter Street, Suite 3300, Waltham, MA 02154
617-487-7060 fax 617-487-7065

Kenneth D. Hedgebeth
Vice President
Client Service
Large Institutional Sales and
Client Service

Fleet Investment Advisors

Mail Stop: MA BO F07E
75 State Street
Boston, MA 02109
617-346-3719
Fax 617-346-3711

Fleet

May 9, 1997

Ms. Anne C. Leduc
Executive Director
Cambridge Retirement Board
City Hall
Cambridge, MA 02139

Dear Anne:

In response to your request, the Cambridge Retirement Board's Small Cap Value portfolio does not contain any tobacco stocks. Rick D'Auteuil, who works with Peter Larson, told me that the Small Cap consciously avoids investing in tobacco stocks.

On behalf of Peter Larson, I am enclosing a signed "Investment Policy Statement for the Equity Portfolio Managed by Fleet Investment Advisors," dated May 9, 1997.

Please let me know if I can be of any further assistance.

Sincerely,

Kenneth D. Hedgebeth

cc: R. D'Auteuil
P. Larson
A. Vandam

FREEDOM CAPITAL
MANAGEMENT CORPORATION

Established 1930

333 Front Street, Chicopee, Massachusetts 01013 413-598-8555 Phone / 413-598-8667 Fax

Raymond W. Depelteau, CFA, Senior Vice President

May 9, 1997

Ms. Anne Leduc
Executive Director
Cambridge Retirement Board
City Hall
795 Massachusetts Avenue
Cambridge, MA 02139

Dear Ms. ~~Leduc~~: Anne

Per your request, this letter is to inform you that Freedom Capital does not own any tobacco stocks in your portfolio. While there are no investment restrictions in your investment policy statement or in the Commonwealth's investment regulations, we understand the sensitivities that many Board members have to these companies.

At such time that we feel that the investment case for owning tobacco stocks is so compelling that they should be owned, we would first consult with our clients to make sure that the investment case for ownership out-weighed the political and social case against ownership.

If you need any additional information, please do not hesitate to contact me.

Very Truly Yours,

Raymond Depelteau

Raymond W. Depelteau

RWD/ms

Income Research & Management, Inc.

May 9, 1997

Ms. Anne C. Leduc
Executive Director
Cambridge Retirement System
795 Massachusetts Avenue
Cambridge, MA 02139

Dear Anne:

Thank you for your inquiry regarding our position with respect to bonds of tobacco companies.

First of all, we do not own any tobacco company bonds at this time. As you know, IR&M portfolios, including the one we manage for you, are high quality portfolios. All investments must be investment grade (i.e., BBB, A, AA or AAA), but we are biased towards the higher rated companies within this range and biased towards companies that have solid business fundamentals.

Thus, tobacco company bonds -- some of which are lower-rated investment grade bonds -- do not presently fit our profile for attractive investments. The legal exposure they have is significant and poses a risk we are uncomfortable taking on your behalf.

Thank you again for your inquiry and please call if we can explain our position more fully.

Sincerely,

Bill

William A. O'Malley
Senior Vice President

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To Anne Leduc	From Bill O
Co.	Co.
Dept.	Phone #
Fax # 349-4119	Fax #

Pioneer Ventures Limited Partnership II

60 State Street
Boston, MA 02109-1820
617-742-7825
Fax 617 742-7315

PIONEER

May 9, 1997

Ms. Anne Leduc
City of Cambridge Retirement System
795 Massachusetts Avenue
Cambridge, MA 02139

Dear Anne:

Recently you have requested information regarding Pioneer Ventures Limited Partnership II's policy with respect to investing in tobacco companies. Our Partnership Agreement does not preclude us from investing in tobacco companies. However, we have never invested in a tobacco company and currently do not plan to invest in any tobacco companies.

Please feel free to contact me at (617) 422-4948 if you have any question or comments.

Very truly yours,

Leigh E. Michl
General Partner

STATE STREET RESEARCH
& MANAGEMENT COMPANY

May 9, 1997

Ms. Anne C. Leduc
Executive Director
Cambridge Retirement System
795 Massachusetts Avenue
City Hall
Cambridge, MA 02139

Dear Anne,

As per our discussion, the Cambridge Retirement System portfolio managed by State Street Research does not currently hold any securities issued by companies involved with the manufacturing or sale of tobacco products. As the guidelines that we have on file for your account "encourage the manager to restrict its investments" in such companies, we will not purchase such securities without first discussing the merits of such an investment with you and the board.

Should you have any questions or require further information from us, please do not hesitate to contact me.

Sincerely,

William G. Shean

William G. Shean, CFA
Vice President

ONE FINANCIAL CENTER - BOSTON, MA 02111-2690
PHONE 617-357-1200

WELLINGTON MANAGEMENT

Wellington Management Company, LLP

75 State Street
Boston
Massachusetts 02109

Telephone: (617) 951-5000
Fax: (617) 951-5250

May 9, 1997

Ms. Anne C. Leduc
Executive Director
Cambridge Contributory Retirement System
City Hall
795 Massachusetts Avenue
Cambridge, Massachusetts 02139

Dear Anne,

This letter confirms the fact that the Cambridge Retirement System Mid Cap Growth Portfolio does not currently hold any tobacco-related holdings. While tobacco companies generally do not appear in the mid-cap investment universe due to their large market capitalization, there are a few cigar-related issues in the universe. Consistent with the attached investment policy, we would not purchase any tobacco-related securities without first contacting the Retirement Board.

Please call if you have any additional questions or comments on this issue.

Sincerely yours,

Bear

Richard C. Albright, Jr.
Vice President

cc: Frank Wisneski
Alison Ellsworth

Communications and Reports from City Officers #1

S-314

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A communication was received from D. Margaret Drury, City Clerk, transmitting a letter from Anne C. Leduc, Executive Director of the Cambridge Retirement Board, regarding investment in the tobacco industry in response to Order Number Fifty-four of May 12, 1997.

In City Council May 19, 1997

Report Accepted
Policy Adopted

PLACED ON FILE