



#9

CITY OF CAMBRIDGE
INTEROFFICE CORRESPONDENCE

To James L. Sullivan, City Manager

Date February 27, 1980

From George E. O'Brien, Assistant City Manager/Reference
Fiscal Affairs *Geo*

Subject Council Order # 7 dated February 11, 1980.

This is in response to Council Order # 7, dated February 11, 1980, regarding suggestions for implementing the vote on Question 5: i.e., "...refrain from investing monies in banks and other financial institutions doing business in or with the Republic of South Africa".

The following is offered as an approach in which both the Council and the City administration would participate.

It is a rational program to evaluate divestiture and to obviate the need for divestiture in the future. The recommended program objective is to balance the economic and social benefits that accrue to the respective beneficiaries.

1. Structure criteria to measure the need, desirability and feasibility of divestiture on a case-by-case basis.
2. Communicate with banks and other financial institutions requesting a statement of whether or not they are doing business with the Republic of South Africa.
3. Define a method for confirmation of (2) above, as may be necessary. This could involve legislative action and/or local ordinance to provide the authority to secure confirmation.
4. Organize institution-by-institution material necessary for a review process to determine if and when divestiture is desirable and feasible; and to what extent, if any, divestiture would cause a loss or inhibit earnings.
5. Formulation of policy for future transactions to ensure avoidance of institutions within the scope of Question 5.
6. Formulation of procedures to monitor the institutions periodically to become aware of changes in their status.
7. Distinguish between debt and equity securities and evaluate same in perspective. The holder of a certificate of deposit, unlike a shareholder, has no standing to influence directly the decisions of management of the institutions.

8. Recognize the difference between the Retirement Board, a unit apart from the City administration, and the City's Trust and Agency funds, which are directly under City control.

Our Investment Banker and advisor to the Cambridge Retirement System Board, prepared an exhibit which shows that the Retirement System portfolio presently includes stock in four (4) companies on the list provided by the American Consulate General, Johannesburg, Republic of South Africa. If these holdings were sold at the market prices of February 25, 1980, the Retirement System would sustain a realized loss on the sale of \$63,339.84. The four (4) companies are: Borden Company, Inc., Chase Manhattan Bank, Ford Motor Credit and Upjohn. The value of the Retirement System portfolio is approximately \$24,000,000 and includes some 275 issues, mostly public utility bonds.

The City's Trust and Agency Funds presently have no investments in banks or institutions doing business with South Africa, to the best of our knowledge.

During the preparation of this response to Council Order # 7, the City has acquired several documents which will be made available to you upon request.

REFERENCE

SOURCE

Journal of Financial Affairs,
January 1980 issue; "Opinion:
South Africa Investment Does
Not Help Blacks" Author:
Frank Vogl

Assistant City Manager/
Fiscal Affairs

The Report of the Advisory
Committee on Shareholder
Responsibility with Respect
to South Africa Shareholder
Responsibility - March 24, 1978

Mr. Lawrence F. Stevens,
Secretary, Harvard University
Advisory Committee on Share-
holder Responsibility (ACSR)

(Policy) Statement of the
President and Fellows of
Harvard College dated April 27,
1978 (investor responsibilities
regarding American companies
doing business in or with
South Africa)

L. F. Stevens, ACSR

Review of Progress to date on
South Africa Related Investment
Issues, Hugh Calkins, Harvard
College, November, 1978

L. F. Stevens, ACSR

News For Investors, Vol. V,
No. 4, April, 1978 "Bank
Disclosures on South Africa
Loans Spurred by Shareholder
Resolutions".

L. F. Stevens, ACSR

Report on Portfolio Companies
with operations in South Africa
by Harvard University Advisory
Committee on Shareholder
Responsibility dated March 30,
1979.

L. F. Stevens, ACSR

List of American Firms,
Subsidiaries and Affiliates -
South Africa - July, 1979
American Consulate General,
Johannesburg, Republic of
South Africa

L. F. Stevens, ACSR

The recent article in the Journal of Financial Affairs reveals that some 300 American corporations have business investments in South Africa's mining companies. Today there is increasing pressure from assorted interests and political groups in the US to bring about a halt in American investment and promote actual disinvestment in the Republic of South Africa.

The argument, raised at one annual meeting of Shareholders after another, is that American investment in South Africa supports apartheid, the exploitation of some 20 million blacks by roughly 4 million whites - whites whose ideas of liberty, racial equality, and human rights are anathema to Americans today. It is argued that to invest in South Africa is to support racial discrimination of the worst kind.

The counter argument is that US investment is necessary for the economic progress that must be the basis for any gains in the political or social status of the blacks.

cc: Members of the Retirement Board

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OFFICE OF THE
CITY MANAGER



CITY OF CAMBRIDGE

CITY HALL, CAMBRIDGE, MASSACHUSETTS 02139 • TEL. 498-9029

RETIREMENT BOARD

Frederick L. Kilfoyle
Executive Secretary

JOSEPH E. CONNARTON
*Deputy City Clerk
Chairman*

ARTHUR F. LIBITZ
*City Auditor
Vice Chairman*

GEORGE W. MICKLE
Elected Member

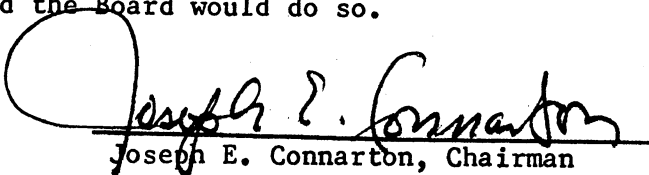
February 28, 1980

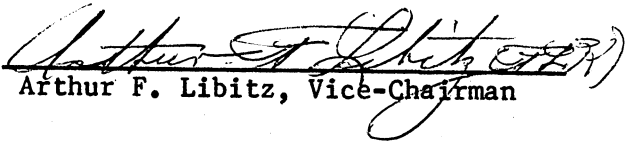
To: The Honorable, The City Council

From: The Members of the Retirement Board

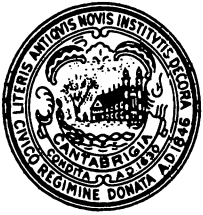
Subject: Response to City Council Order Dated February 11, 1980

Please be advised the Retirement Board shares the concern of the City Council relative to the Republic of South Africa. The Board concurs with the attached report of the Assistant City Manager for Fiscal Affairs, and have notified our investment counselors that we shall not invest any further money in those four companies currently listed within our portfolio, nor shall we invest in any company that to our knowledge is doing business with the Republic of South Africa. However, the Retirement Board feels we cannot divest our shares of our current stock holdings due to the fact the Retirement System would incur a minimum loss of \$63,339.84. Such a divestiture would not be advantageous to the public employees within the system. Should the opportunity arise that would allow us to sell these stocks without a monetary loss please be assured the Board would do so.


Joseph E. Connarton, Chairman


Arthur F. Libitz, Vice-Chairman

George W. Mickle, Elected Member



CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139
Tel. 498-9011

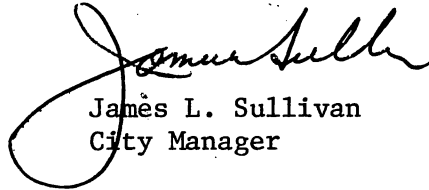
EXECUTIVE DEPARTMENT
JAMES L. SULLIVAN
City Manager

March 3, 1980

To the Honorable, the City Council:

With respect to Awaiting Report Item No. 9 relative to investment of monies in banks and financial institutions doing business with the Republic of South Africa, enclosed please find copy of a report from George E. O'Brien, Assistant City Manager for Fiscal Affairs, and from the Retirement Board.

Very truly yours,



James L. Sullivan
City Manager

JLS/mbf
Enc.

Agenda #3

410

Response to Awaiting Report no. 9 re: investment of monies in banks and financial institutions doing business with the Republic of South Africa.

In City Council,
March 3, 1980

3/3/1980
Placed on File
Placed on File
Note Requests
made by E. Freeman
L. Hollman
RE implementation
of
this policy