

City of Cambridge

Richard C. Rossi • City Manager



Executive Department

Lisa C. Peterson • Deputy City Manager

August 1, 2016

To the Honorable, the City Council:

In response to Awaiting Report Item Number 16-22, regarding the feasibility of opposing investing funds from the Cambridge Retirement System in any entities that are involved in or support the production or upgrading of nuclear weapons systems, please see the following attached response from Ellen K. Philbin, Executive Director of the Cambridge Retirement Board.

Very truly yours,

A handwritten signature in cursive script that reads "Richard C. Rossi".

Richard C. Rossi
City Manager

RCR/mec
Attachment(s)



CAMBRIDGE RETIREMENT BOARD

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Nadia Chamblin-Foster
Appointed Member

Michael P. Gardner
Appointed Member

James H. Monagle
Ex-Officio

Francis E. Murphy, III
Elected Member

John W. Shinkwin
Elected Member

Ellen K. Philbin
Executive Director

July 13, 2016

Richard C. Rossi, City Manager
City of Cambridge
City Hall
795 Massachusetts Avenue
Cambridge, MA 02139

Dear Mr. Rossi:

As you know, at its April 2016 monthly meeting the Retirement Board reviewed City Council Policy Order No. 1. The Board instructed the Executive Director to contact the System's investment consultant, Segal Rogerscasey, to perform a system wide portfolio review of investments covered by Policy Order No. 1. The Consultant contacted the Managers of the actively, separately managed portfolios.

The Board reviewed the holdings as reported by Segal Rogerscasey at its meeting held on June 1, 2016. Enclosed is a summary of that review organized by individual managers. You will note upon reviewing the summary that the Fund's investments in the production and/or upgrading of nuclear weapons systems is *de minimis*.

The Board continues to do its best to fulfill its fiduciary responsibility to make investments that allow the fund to produce a return that is in the best interest of the System's members, consistent with the law.

Please contact me should you have any questions.

Sincerely,

Ellen K. Philbin
Executive Director

Enclosure



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MEMORANDUM

To: Cambridge Retirement Board

From: Rafik Ghazarian, Vice President

Date: May 24, 2016

Re: City Council Policy Order #1 Concerning Divestment in Funds that Support the Production or Upgrading Nuclear Weapons

Segal Rogerscasey received the City Council Policy Order #1 dated March 25, 2016 regarding the Board's exposure to the production or upgrading of nuclear weapons systems. We have reached out to the actively managed separately portfolios to see what their exposures are:

Wedge:

None

MFS:

Within the portfolio they currently hold three names that have exposure to nuclear weapons. They are Northrop Grumman, Lockheed Martin, and Honeywell. Northrop Grumman is involved in the production, development and/or maintenance of a nuclear weapon, Lockheed Martin is involved in the production of nuclear weapons, and Honeywell provides components for nuclear weapons.

Northrop Grumman: 0.94%

Lockheed Martin: 1.48%

Honeywell: 2.09%

IRM:

While they do not have an easy way to screen the portfolio for the production or upgrading nuclear weapons systems, they began by applying a screen for weapons. Within the portfolio, they identified two holdings that MSCI screens out for weapons in general (BAE Systems and United Technologies). Their credit research analyst on the investment team confirmed that United Technologies does not currently have any direct exposure to the production or upgrading of nuclear weapons.

On the other hand, BAE Systems has two programs that contribute to nuclear weapons, which constitute less than 1% of their FY2015 total revenue. Additionally BAE has a 38% stake in

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MBDA-Systems, a European developer and manufacturer of missiles, including the ASMPA and ASN4G nuclear missiles for the French armed forces

The security currently held in the portfolio is detailed below:

Instrument	Issuer	Cusip	Quantity	Total Value (USD)	Total Value %
BALN 6.375 19	BAE SYSTEMS	05523UAJ9	407,000	466,852.40	0.82%

Mackay Shields

The Cambridge Retirement Board High Yield portfolio has two issuers that have indirect exposure to nuclear weapons production or upgrading that total 0.98% of the total portfolio:

Gencorp Inc.(Aerojet) CUSIP: 368682AR1 – Provides standard technology control systems that are used across all their platforms, including space, satellite, and missiles

AECOM CUSIP: 00766TAD2 – Provides technical and management support services to a broad range of markets, which include nuclear test sites

In summary Cambridge Retirement Board's portfolio has minimum exposure to production and or upgrade of nuclear weapons companies. As mentioned by IRM there is no easy way to screen the portfolio just for the production and upgrading of nuclear weapons. We have reviewed some of the socially responsible mutual funds available and there are none that targets just nuclear weapons. We have also inquired with Rhumblin to see if they can run an index fund that excludes nuclear weapons, which they currently do not have the capability. However, they are able to run a "Sandy Hook" list that excludes all weapons. Perac does not have any restrictions on investments related to nuclear weapons.

We look forward to answering any other questions that you may have.

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