

THE NEW SCHOOL

“University Endowments in the Era of Climate Change”

This FAQ was developed in conjunction with a community forum that took place on March 19, 2014 to educate and foster debate about the implications of divesting of fossil fuel companies. It provides basic information on The New School’s endowment, the Advisory Committee on Investor Responsibility and its recommendations, and a broader context surrounding these issues.

FAQ

How large is The New School’s endowment?

As of March 2014, the value of The New School’s endowment stands at about \$220 million. Income from the endowment represents approximately 3% of The New School’s annual operating budget, or \$10 million.

How is The New School’s endowment managed?

The New School does not have a dedicated staff managing its endowment investments, because the size of the endowment does not make it economical to operate in that way. Instead, The New School’s endowment is overseen by the Investment Committee of the Board of Trustees. The Investment Committee determines the portfolio’s overall asset allocation (what portion is invested in stocks, bonds, etc.), selects independent investment managers, and monitors performance and compliance. The Committee engages an independent firm, Slocum, to provide research and advice. The Committee does not make decisions about specific stocks or bonds, but invests in funds put together by outside investment managers based on each manager’s expertise and stated strategy. The New School is usually one of a large number of clients invested in a manager’s fund, in a way similar to individuals investing in mutual funds. The New School cannot alter the manager’s selection of individual stocks and bonds for that manager’s fund. If we are unhappy with a particular investment strategy or decision, the choice is to exit the fund and seek another managed fund in which to invest.

How much of The New School’s endowment is invested in fossil fuel companies?

The New School’s investment managers have exposure to stocks of 28 of the 200 corporations listed as “fossil fuel” corporations by the non-profit advocacy organization 350.org. Currently, The New School’s investments in fossil fuel companies make up approximately 1.4% of the total endowment, although this percentage fluctuates significantly due to the changing decisions of individual investment managers and changes in the stock market. Devon Energy Group is the largest of these companies, representing 0.54% of our endowment. The other 27 companies average significantly less than 0.1% each.

What is the Advisory Committee on Investor Responsibility?

The New School’s Advisory Committee on Investor Responsibility (ACIR) was established in 2009 to develop strategies to for including consideration of social, environmental, and corporate governance (collectively known as “SEG”) issues into The New School’s investment practices. The ACIR includes members from the faculty, administration, student body, and Board of Trustees. It makes recommendations to the Board Investment Committee. As one example of its efforts, the ACIR’s Sustainability Proxy Voting Guidelines were adopted in 2012.

What are the ACIR's recent recommendations?

The ACIR has recently made the following recommendations. These recommendations are part of the ACIR's Climate Change Action Plan, which is posted at newschool.edu/acir.

1. Petition company management, through general purpose shareholder resolutions proposed in company proxy statements, to disclose all carbon-related risks to asset values and revenues, and to quantify a range of possible outcomes, showing the consequences of each outcome for asset values, revenues, income, business plans, and capital market pricing for securities.
2. Petition the Securities and Exchange Commission to adopt a rule requiring oil, gas, and mining companies to disclose all carbon-related risks to asset values and revenues, and to quantify a range of possible outcomes, showing the consequences of each outcome for asset values, revenues, income, business plans, and capital market pricing for securities.
3. Petition the Financial Accounting Standards Board to mandate the enhanced disclosure standards summarized above.
4. Request support from fellow institutional investors for these disclosure initiatives.
5. Allocate 2-5% of The New Schools' endowment investments towards new technology alternative energy.
6. *Divest from any oil, gas, mining, and other fossil fuel exploration, refining, extraction, and production companies owned in The New School's endowment.*

Of the ACIR's recommendations, the one that is most prominent in national debates, and that presents the most complicated set of issues, is the recommendation to divest from fossil fuel companies.

How has the Board responded to the ACIR's recommendations?

The recommendations are under consideration by the Board. In February, representatives from the ACIR and Student and Faculty Senates attended a Board meeting to discuss of the recommendations. The forum on March 19 was designed to educate our community on the issues raised by the ACIR's recommendations and open the discussion to a broader range of voices and interested individuals in our community. This input will help to provide the Board with additional perspective as it considers the recommendations.

What is the divestment movement?

Students and faculty of higher education institutions in the U.S. and other countries have organized to urge their institutions to divest from holdings in fossil fuels stocks, targeting full divestment within five years. Affiliated campaigns are promoting transparency and disclosure of impacts on climate change.

Which colleges and universities have announced plans to divest?

- College of the Atlantic
- Foothill-De Anza Community College Foundation
- Green Mountain College
- Hampshire College
- Naropa University
- Peralta Community College District
- San Francisco State University Foundation
- Sterling College
- Unity College
- Prescott College

These institutions' endowments range in size from less than \$1 million to approximately \$55 million (all significantly smaller than The New School's endowment).nSource: *gofossilfree.org* and *Slocum research*

Have other types of organizations announced plans to divest?

There are 22 U.S. cities, 2 counties, 19 private foundations, and 29 religious and other institutions that have announced commitments to divest. The institutions with the largest portfolios that have made the decision to divest are municipal pension funds, some of which exceed \$1 billion. *Source: gofossilfree.org and Slocum research*

Which colleges and universities have announced decisions not to divest?

- Brown University
- Harvard University
- Middlebury College
- The University of Michigan

These institutions' portfolios range from about \$900 million to over \$30 billion. *Source: Slocum research.*

What are some additional or alternative proposals to divesting?

Additional or alternative proposals to divestment (several are among the ACIR's recommendations) include:

- Requiring disclosure of fossil fuel stock exposure by funds in which an endowment is invested
- Placing limits on the overall exposure of an endowment to fossil fuel companies' stocks
- Encouraging disclosure by public companies of potential risks related to global warming
- Participating in shareholder activism for change within fossil fuel companies
- Investing in "clean energy" venture funds
- Supporting research in clean energy
- Adopting carbon-reduction initiatives on campus.

What are some of the ways The New School demonstrates its broader commitment to environmental sustainability?

The current considerations around The New School's endowment and fossil fuel companies are just one aspect of broader institutional engagement with environmental sustainability as a critical issue of our time. As a signatory to carbon-reduction initiatives at both the national and local level, The New School issued its Climate Action Plan in 2011 and has been working towards the goals established in that plan.

Education: The university offers several degree programs and hosts over 100 courses and many public programs each academic year that address issues of sustainability. The university also supports student- and faculty-led research and projects related to environmental issues, including the work of the endowed Tishman Environment and Design Center. Many of our educational efforts are connected via the [Coalition to Confront Climate Change Challenges in Cities](#) ("C6"), a consortium of New School academics interested and active in environmental issues.

Operations: Efforts to reduce energy, water, and waste on campus include upgrading heating and cooling equipment, installing low-energy lighting and low-flow water fixtures throughout campus, and collecting compost. The most prominent example of The New School's commitment to reducing its environmental footprint is the new University Center. With an anticipated U.S. Green Building Council LEED Gold rating, this high performance academic center exceeds many of New York City's green building standards and applies cutting edge green technology and building operation practices.

Culture and Awareness: The New School published its first *Employee Sustainability Guide* in 2013 and hosts a variety of workshops and awareness campaigns to foster a campus culture oriented to sustainable practices.

For more information, visit newschool.edu/sustainability.