

ACIR Meeting Minutes for December 13, 2013

Current as of: 12.13.13

Attendees (*voting member, #via phone):

Terra Lawson-Remer (Faculty, Chair)**Susan Sawyer (Staff)*****#Bevis Longstreth (Trustee)*****#Malcolm Smith (Trustee)****Larry Woods (Finance Office)*****Chris Crews (Student Representative)****Jens Astrup (Research Assistant)****Linda Hird (Finance Office)****Brandt Weathers (Research Assistant)**

Topic	Discussion/ Action/ Proposal	Responsibility/Time Frame
1. Last Meeting Minutes	Susan moves to approve minutes, Chris seconds, approved.	J/B: Post minutes online.
2. ACIR Processes for Public Communication (APPC)	Will be circled back upon.	
3.CCAP (Climate Change Action Plan) Promotions Updates and Next Steps	Terra: do we want to amend CCAP to include alternative investments? Susan: what are the cons? Terra: I think we should be aware that if we give an alternative to divestment, Board may see it as a different option. I don't think it's a con, but we should be aware of this likely effect. Malcolm: I do think it is directly related. Bevis: I don't disagree with Malcolm's statement Terra: I think it would be a good as part of our mandate, but I also think strategically that we should be responsive to Steve Bloom. Malcolm: I agree.	-Chris to email final version of document.

	Brandt: I think we should communicate with those who already supported original document. Terra: great idea. Chris: my concern is why make Board accept proposal that has does not require divestment. Terra: given that we are advisory, I think we have to offer what we think is best. Our strategy, given for recruitment/reputational gains, is to ask for the whole package, but that's an argument and they could choose any particular pieces. Chris: My worry is that if we add alternative energy part and the Board accepts it and not divest... Terra: How could they do that? They couldn't adopt the whole thing, they'd have to adopt portions to ignore an element within proposal. Bevis: the Board if they're feeling any pressure it's just from this committee; they're unaware of any pressure from students or faculty. They simply think: 'it's nuts, because we are here to make as much money as we can'. I think we do what we can and we have to rely on the pressure from students and faculty. Terra: I agree. We have so much to do, let's focus. Susan: do we need to go back to the IC? Terra: no. They never endorsed our entire plan, only four points. Susan: don't we want their support? Linda: no it's changed; it's been moved away from IC to executive committee. Terra: right. This is now a plan directly from us. I'd like to propose, which I'll draft, changes to the CCAP which include alternative investments details. And to have this done before break with communication to former supporters.	
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	All approve, no opposition. Malcolm: do you think Steve will be in support of divestment? Terra: no, he's not in support of that specific item. I think the best we could hope for with Steve is to get him not opposing it. Malcolm: great, I think integrating his input will be helpful then. Moving on. Terra: Garnering student support issue. Looking at USS and GFSS support documents. (Jens and Brandt describe documents.) I think as we discuss student, in packet of materials these should be included. Ian: we might need student groups to send statements, before board meeting (Jens Brandt Chris) Terra: who wants to try to rustle up a few more statements. Moving on: garnering decision makers support. Terra: can you summarize tenor of conversation with investment committee. Malcolm: I think Terra did a great job in the presentation; I think we had a good hearing. I think Steve is sympathetic to CCAP, but not supporting divestment. Linda seconds these details. Terra: in terms of Deans, need to push forward more. Michelle DePass is very busy so she will be hard to corral. I don't think we'll have strong support from the Deans in the meantime. I am going to try to create a sign-on letter for Deans via Joel Towers. I don't think this will result in the significance of what we had hoped, but we will get something. Does anyone have any ideas as to how to push that forward.	
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	Bevis: no, I think from an investment standpoint, there's a very rapidly moving change in the world and one small illustration is the Bloomberg website for monitoring carbon content of fossil fuel companies on their books. This is available in Bloomberg databases. This indicates amount of potentially stranded assets due to government regulation. This was unimaginable 6 months ago; shows marketplace moving ahead of Universities. Terra: great point, can we transition to talking about education event proposal that would need some of these contributions from people like you. What do others think about a proposal for events like this? How should this be structured, who should talk? Just to be clear: DVZ asked us to produce a proposal for an education event prior to the Board of Trustees meeting regarding fossil fuels/climate change/The New School. So who should speak, what topics, who invited, etc? It functions for entire New School Community and Board. Bevis: we should invite Joel to speak. Terra: right. Who else? Malcolm: I think we shouldn't bite off more than we can chew. We should narrow it a bit. We have a responsibility to the Board and we should report what we're doing to the community. Terra: I agree. But DVZ wants the information out on the pros/cons of divestment/disclosure. Susan: I think we have a timing challenge. Ian: what about a film screening with Q&A. Terra: I don't think that would be something DVZ would be excited about. Brandt: what about paying student organizers? Ian: I don't think we can pay them, but maybe give them access to important people. Terra: we have short notice and our only other option	
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	would be to push it to next meeting in May. I think we need to capture interested students that are around this year. I think we need to put something on paper on what we want, but express caveats and constraints on feasibility of this kind of event on short notice. We would need greater organizational needs. Bevis: suppose we could get Tom Styer. Terra: I think that's interesting, do you think that would be interesting to the trustees? Bevis: overwhelmingly. He's one of the best in the world. Chris: I think contentiousness and good speakers determine the attendance. Like a debate. Terra: I think that would be interesting. I think the dev is in the details, particularly disclosure aspects. I think the debate would have to be framed around disclosure issue as well so it doesn't get sidelined. Brandt: can we talk about the fact that it precedes the Board meeting. All: yes. Ian: a real debate would be nice. Terra: I agree, with Tom Styer it would be great too. I would like Bloomberg terminals at the event. Brandt: I'll speak to Heidi about getting Bloomberg involved. Terra: I just want it to be interactive for students. What time of day for this kind of event? Susan: in the evening to get trustees. Terra: 6:30-8pm. Bevis: 5:30-7:00pm. Chris: classes start Jan 27th.	
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	Malcolm: Bevis do you know Tom Styer? Bevis: I do, I don't know if we could get him. Malcolm: if we frame a debate, who might debate against a person of that stature. Bevis: I don't think he'd do that. I think we need to frame it as we're to be the largest divestment on the edge of a decision and we'd like you to put it over the top. He's not going to debate. Conversation to continue after Texas call-in. Chris distributes 'A case for fossil fuel divestment' as a response to Professor Gershon. (Following call from Texas) Brainstorm continues for event. Susan states that she believes the debate idea would be more successful than a lecture. Terra asks for confirmation from Bevis that Tom Styer will not do a debate. Bevis confirms that he will not Terra asks if he could do opening remarks and then others would have a debate. Bevis says he is against the idea of having a debate, because it opens up the possibility of losing. Believes that there are too many difficult components to the issue, and we wouldn't have enough time. There are many more reasons, besides just financial, that argue in favor of divestment. Terra says this view is compelling, that when you structure a debate, it ends up being very superficial unless the debate is around a very simple question. Terra says that the event should be advertised as "SHould we divest", but the event would be a discussion from various speakers on the different issues surrounding divestment - financial, moral, etc	
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	BEvis says that the way to frame this event is that the committee is providing an event to educate the community on why THE New School should be supporting this document. He believes the ACIR should use this event to push the CCAp. Chris says that when we have an event that focuses on what the ACIR does, no one shows up. States that we've already had events with bill mckibben, etc - and they don't draw huge crowds. Ian also notes that we're making Tom Styers the core of this event, but don't yet know if he's even available Bevis says there's only a slight chance. Ian wonders if we should see if Ian can attend and then move from there or just suggest tom sires and then send the proposal to dvz. Bevis says he thought the idea came from a suggestion that the acir should have a briefing for the BoT ahead of time. The idea has now been twisted around to the point where we don't even think trustees will show up. Bevis suggests that the event be framed as a briefing on the CCAP for the trustees, but have it open to the public. Malcolm states that DVZ has given us a suggestion that is giving us trouble because we can't decide on the objective. Terra says she agrees that this is part of the problem, and states that she initially told DVZ that the briefing should be for the BoT, but DVZ suggested the public because he feels that the university as a whole doesn't even understand the issue. Bevis says the event should be pitched as something to brief the BoT because the issue is too complex to be discussed at the BoT meeting. Joel should open the meeting, and then additionally should be advertised as something open to the public. Terra reviews why this idea came up - On the 6th of Fbb, Terra, Texas (and someone else) will be going	
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	to the BoT meeting and the issue is that they won't be given time to address the complexity of this issue and so they have to address the issue prior to the actual meeting. Linda says that she can tell the woman who makes the agenda that the ACIR requires more time. Chris says that there could be multiple speakers at this event and each one would make a different case for why divestment should go through. This way everyone gets a different perspective on the issue. Chris says that a debate frames it as if we are finding out if we should divest, whereas we are arguing in support of divestment. Terra notes that the time requires the committee to drawn down the meeting, notes that she will meet with J/B in order to go through the remaining topics and will keep committee updated through the holidays. Terra asks if everyone could write down a few sentences regarding any further reflections or ideas that should be included in the education event. Ian notes that in order for the event to be useful it should occur a few days before BoT meeting. Susan worries that because the trustees will be here all day thursday, they would have a hard time going to an event on the issue at 5pm a few days before. Terra will write up a note on the structure of the BoT presentation and will circulate to committee. Notes that she goes offline after next Friday so everyone needs to be active early next week to send feedback.	
4. CCAP Logistics		
5. SI2 Renewal	Larry gives update on the renewal for SI2 contract, subscription has gone up by \$100, but contract has remained the same otherwise.	

	Ian asks Jens if the subscription was useful. Jens notes that if it wasn't for this service, he doesn't know where the RAs would go to get proxy season research. Ian motions to vote, Chris seconds. All approve. Next meeting, Bevis law firm needs to be on agenda along with CERES initiatives. Terra asks when next meeting occurs. Jens notes that a meeting schedule has not yet been made. Terra says the committee should meet first week of school in spring semester. Bevis says that everyone would benefit from looking at the communication Harvard people have developed to rapidly increase the number of alumni who have signed the petition. Every alumni is being asked to get another 10 signatures right away. Bevis says he will circulate to committee. bevis reviews the escrow fund idea once more. Terra requests that everyone also include in their email on brainstorm ideas for event, to also include materials that should be collected and made available at the event. Bevis says he will circulate the Harvard letter. Terra asks if there are any last thoughts. Ian says Happy Holidays Meeting adjourned.	
6. Other Updates	Brandt gives update on RI Conference and REC holiday party. Terra requests that Brandt and Jens	J/B send invitation to the REC holiday

	send the invitation to the REC holiday party to the committee.	party.
7. Action Items Update		
8. SLOCUM Call	Texas: I can provide our approach and my background. Terra: go ahead. Texas: some background, I lead our foundation practice at SLOCUM who was retained by TNS as an investment consultant for the endowment. We work with about 120 clients. Aggregate assets of about 100 billion dollars, many clients the same size of TNS. We think that the approach for divestment should answer two things: 1. what are the facts? 2. what are we trying to accomplish? For the first one, not about global warming, that's not the issue. But three things 1. how much of the stocks are comprised in broader market, 2. what would be the historical effect of these stocks on portfolios, and 3. what is the endowment exposure. These relate to the documents of 'background & exposure analysis' Texas to re-send document. Texas: Looking at pie charts on the bottom and explaining their significance. What it tells us that the top stocks in fossil fuels are large companies; excluding these would exclude 11% of market in asset values. Looking at third graph, shows increase in stock value of these industries. Fourth graph, looking over annualized and cumulative returns of removing fossil fuel stocks. The take home message of this is that removing these stocks over the short term windows (3 to 5%). From increases to 6-7%. Further back in time, we see a different story at dramatic scale, showing losses of 16% and 38.5%.	Texas to resend "background and exposure analysis"

	This is just a look back; why is it that one period would help but another would hurt. The next page is a summary of an interpretation of these results. All you need to do is look at commodity prices over the same windows; direct relationship to oil prices. What this does not do is offer any prediction for the future. When we have discussed this with the IC, unless we're willing to make a bet on commodity prices it's going to be a unknown of its effect on endowment returns. Looking at page 4; any questions? Malcolm: is coal important? Texas: yes, coal, oil and natural gas all play a role in these calculations. Back page of report shows all targeted reports. Bevis: same companies targeted by Carbon Asset Initiative (not spelled right). Also, if we see changes in commodities related to fossil fuel industries, could we alter portfolio to capture these gains from this larger industry of 'commodities' but remove fossil fuels? Texas: maybe, but fossil fuels tend to move around much more. I think the resulting portfolio would be more risky. Bevis: potentially replace fossil fuel companies in alternative energy companies, how would that do? Texas: that's a whole new question or set of questions regarding who we will investing with. I did want to provide data on TNS exposure to this industry, on page 4. This data is a bit old but exposure to broad global stock market shown, split up by managers by which invests in fossil fuels and by how much. Linda: note that the organization with the highest and lowest Investment Managers have been recently sold off and ended contracts with and reducing another.	
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	Texas: just to be clear 2% of total endowment has exposure to fossil fuel industries. All analysis we provide show an exposure of 2-5%. So there is exposure, some managers have preference for these stocks, index stocks are also exposed, we are also a bit lower than many other endowments on exposure, think in the future will be much lower--closer to 1%. Terra: does that depend upon the percent of exposure in new managers. Texas: right, but the new ones appear to be much lower than managers who were just let go. Terra: would be helpful to ask new managers about zero exposure? Can this be a proactive measure? Texas: we have explored this. To invest with best managers we need to understand commingled funds. The one separate account is with a US small cap manager and exposure with them is very small. I think the managers are not interested in opening up commingled fund with complete exclusion of these funds, given that they believe their size of exposure is very small to begin with. Terra: could a list be generated of top notch managers who are also be willing to or have created commingled funds that screen for these companies. I assume there is a demand for these kind of funds. A concrete list would be helpful. Texas: that's the next step for us and all our clients: is there a way of bringing exposure down to zero or getting managers who could do this? We're in the process of doing this. We need to also ask what are we trying to accomplish. If its to make a statement or to strand assets, then that's one thing. If to change policy, then divestment isn't the right approach; proxy resolutions require ownership. The other approach could be making positive investments with mixed	
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	track records; this relates to Bevis' question. We have worked with several institutions was simply transparency: how much exposure? We have also seen quarterly monitoring procedures put into place. Terra: thank you for this. We have been working on this now for 18 months and this data is great value added. It looks like you're already beginning to address the question of managers that would be cooperative in this screening process. We'd like to hear more about this and alternative investments. Where are you on both of these fronts? Texas: with alternative investments its a little harder, they tend to be private. There are usually only a few open at all times. That should only take us 4-6 weeks to make a list of these assets. Terra: and to look at their relevant track record as they relate to various managers. Texas: right. We have 5 people here who work on this at SLOCUM. I don't know how far we are on a list of cooperative managers that we could get to ACIR maybe by the end of next quarter or so. Terra: that would be helpful. Bevis: speaking of this, in terms of South African period, I think there were several managers that created South Africa free funds. So I'm sure many are looking at doing this now. Maybe TIAA CREF is doing this as well. Texas: some managers point out that carbon regulation might have a different effect (maybe increasing prices of saleable assets), which makes it differ from South Africa case. Bevis: you point out a serious debate regarding prices of commodities vs value of total companies. But in the South African case, there is no question that the	
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	greatest investors and corporations driving prices down in that historic scenario. Terra: might I interject. I appreciate all this information and Texas' help. I think we really would like these two bits of research from SLOCUM regarding options; that would be extremely helpful. Have you seen our CCAP by the way? Texas: yes. Ok, we'll continue to work on these two issues and be in communication with Linda and will also send document to Bevis.	
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