

The New School

Advisory Committee on Investor Responsibility (ACIR)

Putting Our Endowment Money Where Our Mission Is

Annual Report, 2012–2013

ACIR Leadership

Committee Members

Terra Lawson-Remer, faculty member, chair

Izza Aftab, student representative

Chris Crews, student representative

Ian Morlan, staff member

Susan Sawyer, staff member

Malcolm Smith, trustee

Bevis Longstreth, trustee

Research Assistants

Brandt Weathers

Jens Astrup

Office of Finance and Business Support

Linda Hird, director of Investment, treasury, and risk management

Larry Woods, compliance and risk analyst

THE NEW SCHOOL

ACIR Chair Statement

It is an honor for me to serve as chair of the Advisory Committee on Investor Responsibility (ACIR) and work on this important issue at The New School. Addressing social, environmental, and governance (ESG) issues relating to the management of the university's endowment is critically important in order to align our endowment dollars with the university's values and mission. Engaging with these issues is particularly important given The New School's long history of progressive education and research.

The work of the ACIR is carrying forward this progressive and socially engaged tradition in the 21st century. Since it was established in 2009, the ACIR has brought about a number of significant changes in the management of The New School's endowment in relation to ESG issues.

Our most important achievements this year are detailed in this annual report. The ACIR aims to do even more next year, but we cannot do this work alone. I invite the whole New School community, especially the student body and faculty, to get involved and help advance this important work.

A handwritten signature in black ink, appearing to read 'Terra Lawson-Remer', with a stylized, flowing script.

Terra Lawson-Remer
Chair, ACIR
Assistant Professor of International Affairs

The History of the ACIR

The ACIR was created in spring 2010 in response to growing interest in the critical issue of ESG investing among constituencies at The New School. In fall 2008, a large student activist network organized opposition to senior leadership and their management of The New School. A key student complaint was the university's affiliation with defense industry companies through investment holdings, which many students felt were contrary to the spirit and mission of The New School. Following a faculty vote of no confidence in then-President Bob Kerrey (driven by a range of other, unrelated factors), The New School in Exile student occupation of 65 Fifth Avenue began. One of the central demands made by student occupiers was that "investments and finances shall be fully disclosed so as to permit complete transparency and intelligibility of the creation of a Socially Responsible Investment committee." As part of the agreement reached between students and university leadership to end the weeklong occupation, President Kerrey promised that "because of repeated and voiced student concerns about the university's investment, I will urge my Investment Committee to establish such a [socially responsible investment] committee with student involvement." A number of leading members of the board of trustees were interested and knowledgeable about corporate social responsibility and were very supportive of improving The New School's engagement with investing when approached by President Kerrey. An ad hoc committee of trustees, faculty, and staff was appointed to consider the issue by the board of trustees upon Kerrey's recommendation. After a period of internal consultation, the board of trustees adopted the recommendations of this ad hoc committee to formally establish the permanent Advisory Committee on Investor Responsibility (ACIR) to report to the Investment Committee of the board of trustees and the President's Office. After a successful first year (2010–2011), in which the ACIR primarily amended bylaws and established internal operating procedures to create a platform for future activities, over the past two years the ACIR has made several policy changes to oversight and management of the university endowment.

The Mission of the ACIR

The mission of the Advisory Committee on Investor Responsibility (ACIR) is to develop strategies to ensure social, environmental, and corporate governance (collectively "ESG") issues are considered when The New School decides how to invest its assets. Issues under consideration include but are not limited to human rights, labor standards, environmental sustainability, equity, diversity, discrimination, and corporate governance and disclosure. Authorized by the policy and procedures on Investment Responsibility guiding the New School Board of Trustees, the ACIR presents recommendations on SEG issues that arise in the management of the university's endowment to the Investment Committee of the Board of Trustees. Read more at www.newschool.edu/acir under Resources and Links.

The Structure of the ACIR

The ACIR is composed of individuals from all constituencies at The New School: two trustees, two faculty members, two students, and two staff members. Faculty and student nominations may come from the Faculty and Student Senates or through self-nomination. Drawing on these nominations, the president of The New School appoints committee members to serve staggered two-year terms. But in practice, some committee members have volunteered for longer terms of service. The ACIR operates independently and is part of the New School's Investment Committee of the board of trustees. It also works alongside the Office of Finance and Business. The ACIR reports to and directly advises a number of high-level decision makers at The New School, including the president and the board of trustees' Investment Committee (charged with all general investment decisions for the university). The ACIR sometimes works with the Office of Finance and Business to communicate directly with the university's investment managers, who are involved in day-to-day decision making. Interactions with these diverse groups are essential in order for the ACIR to carry out its mission.

What did the ACIR do in 2012–2013?

1. Proxy Voting Report

For the first time in the university's history, the ACIR submitted votes for and against shareholder resolutions filed at the companies in which The New School is directly invested. Shareholder resolutions (or proxy votes) are an effective way to publicly express the university's values and enact institutional changes with corporations in which we hold stocks.

Proxy Season Overview

Since The New School holds stocks in publicly traded corporations, it can also participate in what is called the proxy season. Every year (usually in the spring) shareholders of publicly traded corporations can file a shareholder resolution, a document calling for a policy change within a corporation. If a resolution gets enough preliminary support, it can be voted on by all the stockholders to decide what practices or procedures a corporation should change. The ACIR has the opportunity each year to find out what shareholder resolutions have been filed for the companies it holds stocks in and to vote on these changes.

Proxy Voting Decisions

The ACIR voted to require corporations to disclose their political spending, to label products with genetically modified organisms (GMO), and to report on greenhouse gas emissions. The committee voted, in total, on 32 issues, which covered hundreds of corporations. A full report on each proxy, arguments in favor and against the proxy, and what decision the committee made on each proxy can be found at www.newschool.edu/acir under Resources and Links and is titled 2013 Proxy Voting Report.

Outcome of Proxy Voting Report

Unfortunately, after the ACIR offered proxy resolution recommendations to their "direct holdings investment managers," the committee was informed that the investment managers had chosen to vote with the management of those corporations on the relevant proxy voting decisions. After several discussions, the Office of Finance and Business at The New School arranged for the ACIR to directly vote on proxy resolutions in the future. From next year forward, the ACIR will be able to vote freely on behalf of The New School, becoming one of the only schools in the United States given this authority.

2. Petition to the Securities and Exchange Commission (SEC) for Corporate Political Spending Disclosure

In support of petition 4-637 filed at the Securities and Exchange Commission (SEC) by a group of prominent Harvard law professors, the ACIR submitted a letter calling for the SEC to adopt rules requiring public companies to disclose to shareholders the use of corporate resources for political activities. The SEC has received thousands of letters in favor of action on petition 4637, making it the most supported rulemaking petition in the SEC's history.

ACIR's Reason for Support

Disclosure of information on corporate political spending is critical for proper corporate accountability; the Supreme Court recently affirmed this position in their ruling in *Citizen's United v. Federal Election Commission*. Without mandatory disclosure regulations imposed by the SEC, it is impossible for shareholders to monitor the use of corporate resources on political activities. The ACIR believes that the SEC has a responsibility to require corporations to disclose their political spending as a means of ensuring marketplace fairness and protecting investors.

U.S. colleges and universities collectively hold approximately \$400 billion in endowment investments, and more than a quarter of these are in publicly traded companies. Given this enormous financial stake in public corporations, these educational institutions have a correspondingly large interest in ensuring the effective operation of corporate accountability mechanisms. Of equal or even greater importance, colleges and universities have a profound interest in avoiding investment in corporations that use funds to support political causes and politicians inimical to their chartered purposes. Without full disclosure, it is impossible for colleges and universities to make sound decisions about investment in corporations. Learn more at www.newschool.edu/acir under Resources and Links.

3. *Chronicle for Higher Education* OpEd

After the SEC letter was published, the ACIR published the following letter in the *Chronicle of Higher Education* (excerpt below):

[Put Your Endowment Money Where Your Mission Is](#) by Terra Lawson-Remer and Dan Apfel *Chronicle of Higher Education*, November 19, 2012

“The 2012 election season is just behind us, but before the next one begins, we need to take a serious look at the increasing role that money is playing in influencing political outcomes.

This year official federal-election spending was projected to surpass \$5.8-billion, compared with \$3.1-billion in 2000. And in the wake of Citizens United, the Supreme Court case that barred the government from restricting the amount of money that corporations could spend on political campaigns, unidentified groups shelled out over \$200-million to influence campaigns, with the likely real (unreported) amount several times larger.

The danger in giving money an outsized role in shaping politics is that it has the potential to foster a government that is most responsive to interest groups with access and resources. Hidden and unaccountable political spending is especially worrisome.

Colleges and universities, which control over \$400-billion in endowment investments, have a clear and urgent responsibility to ensure that the companies in which they are invested are engaging in political activities that align with colleges' core missions.”

4. Climate Change Campaign

This past year was an exciting time for the debate on climate change. Bill McKibben toured hundreds of campuses across America for 350.org; the financial press started to emphasize a Carbon Bubble in the world economy; and the Carbon Tracker Initiative started a major research project to improve the transparency of the carbon embedded in equity markets. All of these factors influenced the ACIR as it began a campaign on climate change and fossil fuels. This year, the ACIR held a panel discussion on April 30 in Wollman Hall to get input from New School students and is in the process of creating a Climate Change Campaign. The ACIR aims for this campaign to keep The New School on the cutting edge of pressing ESG issues relevant to our university's stakeholders.

Student Event on Fossil Fuels

Over the past two years, hundreds of American universities have held events to discuss the merits of fossil fuel divestment. Such an initiative calls for U.S. institutions to withdraw endowment funds from fossil fuel-related corporations (gas, coal, or oil) to underscore the urgency of taking action to address climate change. The ACIR held an event to educate students on the importance of fossil fuel divestment and to

get their thoughts on this subject. The event featured a panel discussion with New School trustee and former SEC Commissioner Bevis Longstreth, Executive Director of the Responsible Endowments Coalition Dan Apfel, 350.org fellow Belinda Rodriguez, and executive dean of Parsons, Joel Towers. The panelists spoke on issues such as the improper pricing of carbon in financial markets, the devastating effects of climate change, The New School's role as a leader in considering carbon emissions in its operations, and the importance of student involvement in decisions related to endowments. Sixty students attended the entire event, which included a session in which they split into groups and discussed possible solutions for fossil fuel divestment.

Committee Actions and Decisions

The ACIR is currently drafting a proposal on fossil fuel divestment for the Investment Committee of the Board of Trustees. The chair of the committee, Terra Lawson-Remer, has said that the ACIR is still considering all options, including divestment. The ACIR will keep the New School community updated on its progress on the proposal.

How to Get Involved with the ACIR

Members of the New School community can get involved with the ACIR by contacting one of the following individuals, who will put them in contact with their appropriate representative (faculty, staff, student, or trustee): Terra Lawson-Remer (lawsonrt@newschool.edu), Brandt Weathers (weatb414@newschool.edu), or Jens Astrup (astrj383@newschool.edu). We encourage you to send feedback and suggestions for ways the ACIR can achieve its mission.

Open Faculty Member Seat

This year the ACIR has been seeking a New School faculty member to fill its last open position. The committee organized a faculty luncheon to inform the community about the ACIR's open faculty member seat and to solicit nominations for the position. The committee invites all interested faculty members to fill out an application, which can be found on the ACIR website at www.newschool.edu/acir/member-app. Contact chair and faculty member Terra Lawson-Remer with any questions at lawsonrt@newschool.edu.

Endowment Holdings Data

Below are three graphics on The New School's endowment holdings. These include the following: an arrangement of The New School's diverse set of financial assets across three levels ("Classification in the Fair Value Hierarchy: December 31, 2012"); a table displaying the percent returns on each set of financial assets ("Performance Markers"); and a chart exhibiting the percent each asset category makes up of the whole range of investments ("Asset Allocation as of December 31, 2012").

Classification in the Fair Value Hierarchy: December 31, 2012

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 5,029			5,029
Equities:				
Domestic	22,082	7,315	—	29,397
International	5,984	11,459	—	17,433
Emerging Market	—	18,256	—	18,256
Total Equities	28,066	37,030	—	65,096
Fixed income:				
Investment grade	13,161	3,111	4,170	20,442
U.S. government-backed	123,430	—	—	123,430
High yield	6,104	6,924	4,170	17,198
Total Fixed Income	142,695	10,035	8,340	161,070
Hedge Funds:				
Long/short	—	23,180	822	24,002
Relative Value	—	7,869	—	7,869
Multi-strategy	—	—	7,894	7,894
Total Hedge Funds	—	31,049	8,716	39,765
Private Equity:	—	—	18,345	18,345
Real Assets:				
Real Estate	—	—	4,502	4,502
Commodities	6,908	18,850	—	25,758
Total Real Assets	6,908	18,850	4,502	30,260
Total	\$ 182,698	96,964	39,903	319,565

The three levels of the fair value hierarchy are the following:

Level 1: valuation inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the university has the ability to access at measurement date.

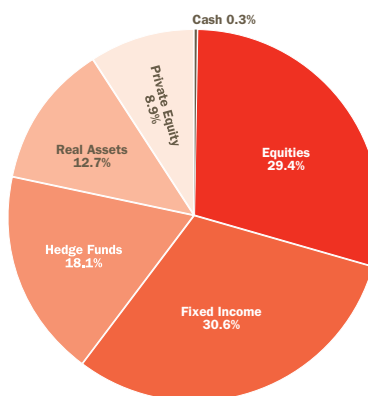
Level 2: valuation inputs are inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.

Level 3: valuation inputs are unobservable inputs for the assets or liabilities.

Performance Markers

Endowment Performance as of December 31, 2012				
	One Year	Three Year	Five Year	Ten Year
Total Equity	14.7	7.6	0.3	12.1
Fixed Income	7.8	6.7	7.4	5.4
Hedge Funds	7.7	4.4	0.5	5.1
Commodities	3.2	8.5	—	—
Private Equity	-1.1	13.2	2.1	—
Total Alternatives	3.9	6.9	1.4	5.1
Total Portfolio	8.1	7.1	1.7	7.3

Asset Allocation as of December 31, 2012



About the New School Endowment

The investment portfolio is managed to achieve a prudent long-term return. The university relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The endowment assets are invested to provide a real total return that preserves the purchasing power of the endowment while generating an income stream to support the academic activities of the university.

—The New School Financial Statements, June 30, 2012