Research Notes on Other Public Universities' Divestment Processes

University of Hawaii

1. **How large is the institution's endowment?**
   - $66 million (http://www.hawaii.edu/news/2015/05/21/board-of-regents-approves-fossil-fuel-divestment/)
   - The University of Hawaii has two endowments. The first is $66 million and governed by the Board of Regents. It's this endowment that the University divested. There is a larger foundation, with more than $300 million. It has a separate governance structure (which does not report to the Board of Regents). This foundation has not divested its funds (Conversation with CFO Kal Young).

2. **What is the structure of the endowment?**
   - Diversified.

3. **How is the endowment managed?**
   - Professional manager or managers (UBS Financial Service, Inc) (http://www.hawaii.edu/news/2015/05/21/board-of-regents-approves-fossil-fuel-divestment/)
   - Both Kal Young, the University of Hawaii's CFO, and Joe Mobley, professor of nursing and divestment leader, report that UBS was very easy to work with, especially when they learned that divestment would not need to take place immediately, but over the course of several years.

4. **What was or is the timeline for the actual divestment process and where is the institution currently situated along this timeline?**
   - In 2015, the foundation was invested in 5%-7% of fossil fuels.
   - According to Joe Mobley, "Our process occurred relatively quickly, about 6 months from start to finish. We started by attending several Board of Regents meetings in the beginning, just to see the lay of the land and get a sense of who the players were… We found out that the issue of divestment fell under the purview of the Finance Committee, so we targeted them. We sent them brief literature on the importance of divestment and evidence that removing fossil fuel funds did not adversely impact returns. We got on the agenda of the Finance Committee and days before that, met with the Chair of the BOR, and the two co-chairs of the Finance Committee. They were opposed in the beginning, but listened to our arguments and read the literature we sent them. Then on the day of the meeting, by some miracle of persuasion, the resistance had melted partially

away. The chair of Finance, Jan Sullivan, made a motion that a task group on divestment and sustainability be convened, composed of student, faculty, and university administration members, along with four Regents. Once that Task Group convened, it was clear that the four Regents were already on board."

- In May of 2015, the Board of Regents voted to divest from fossil fuels (http://divestuh.org/press/media-advisory-uh-divestment/).
- Divestment should be complete by June of 2019 (http://divestuh.org/press/media-advisory-uh-divestment/) (email conversation with CFO Cal Young).

5. **How is "divestment" defined by the institution?**
    - The university should only invest in funds that have 0-1% holdings in fossil fuel companies (http://www.hawaii.edu/offices/bor/finance/materials/201504011330/2._Report_by_Divestment_Task_Group_Regarding_Recommendations_on_Divesting_from_Fossil_Fuels_and_Board_Policies_Regarding_Sustainability.pdf).

6. **Where does the institution stand on the "spectrum of divestment?"**
    - Full (Coal, Oil, Gas)

7. **What is the particular "divestment policy language" of the institution?**
   "The board also desires to align its investment goals and guidelines with Chapter 4.208, the board's sustainability policy. As such, the investment manager shall hereby divest the Fund from companies that produce fossil fuels, and shall maintain a portfolio that is substantially divested of fossil fuels (0-1% holdings). While moving toward the divestment of fossil fuels, the investment manager shall also include investments that will provide alternative energy substitutes, where feasible. Divestment shall occur in a responsible manner that will consider investment and management fees, while meeting the investment goals and guidelines set forth in this chapter." (http://www.hawaii.edu/policy/?action=viewPolicy&policySection=rp&policyChapter=8&policyNumber=207&menuView=closed).

8. **Who are the key contacts related to the institutional investment?**
    - Administrators directly engaged in divestment: CFO Kal Young, kalbert@hawaii.edu, (808) 956-8903
    - Student groups involved: Graduate student Michelle Tigchelaar, mtigch@hawaii.edu, contact@divestUH.org
    - Faculty and staff members involved: Dr. Joe Mobley, Professor of Nursing, jmobley@hawaii.edu

9. **What were some of the initial hesitations to divestment and obstacles encountered along the "path to divestment?"**
    - According to both Kal Young and Joe Mobley, one of the biggest obstacles was finding out how divestment could be made in a cost effective way. They both seemed to agree that this obstacle was surmounted by deciding that divestment did not need to take place immediately, but could be done over the course of several years. This gives UBS some increased flexibility to find high-performing investments and it can also helped keep some of the management fees down, which otherwise would have been unaffordably high.
    - Another obstacle, according to Kal Young, was the very broad definition of divestment, targeting "companies that produce fossil fuels." Mr. Young feels that it wasn't entirely clear, from this definition, what companies should be targeted for divestment. (It seems that an effort to further specify the 200 largest fossil fuel companies, as we have done at UMW, might help with this).

10. **What are some recommendations from those involved in the institution's divestment decision?**
    - Kal Young advises that we use a clear definition of divestment. He also encourages us to think about how divesting could increase risk in the portfolio. He states, "Understand how your risk profile will change within your portfolio. UH never fully considered if more or less risk was being placed into the portfolio when implementing divestment. Relative to benchmarks and index of peer investment performance, a divestment portfolio could necessitate assuming increased risk in order to achieve comparable performance to standard investment indexes."

11. **Was there any movement to combine divestment with socially responsible investment?**
    - No.

University of Maine System and University of Maine Presque Isle

University of Maine divested in late 2014, early 2015.
University of Maine Presque Isle has undertaken a policy of full divestment.

1. **How large is the institution's endowment?**
   - University of Maine System (UMS): $234 million
   - University of Maine Presque Isle: $1.4 million endowment.
   - UMS had $7.5 million of its endowment invested in over 200 of the top publicly traded fossil fuel companies.

2. **What is the structure of the endowment?**
   - Diversified (mutual funds, commingled funds and limited partnerships).
   - Divestment affects $502,000 of direct investments in coal and nearly 30 percent of the system's total $1.7 million exposure to coal in its managed investments, pension fund, and operating fund.
   - University of Maine at Presque Isle, one of seven schools in the state public university system, said it had also divested all fossil fuel investments from its foundation.
   - University of Maine at Presque Isle (UMPI) holds its endowment separate from the rest of the system

3. **How is the endowment managed?**
   - Professional managers.

4. **What was the timeline for the divestment decision?**
   - A two-year campaign led by students at the University of Southern Maine and University of Maine campuses.
   - The board has been reviewing the possibility of a fossil fuel divestment plan for over a year, when Divest UMaine brought their cause for fossil fuel divestment to the board.
   - The board directed its investment managers to divest from all fossil fuels in a way that did not significantly impact its rate of return. This process was completed in Nov. 2014.
   - The decision to divest was influenced by the threat and potential costs of climate change, the steady decline of coal as a non-renewable resource and the emergence of new green technologies.
   - According to supporters, coal divestment shows a commitment to: the environment, sustainability, and the future wellbeing of their students.

5. **What was or is the timeline for the actual divestment process and where is the institution currently situated along this timeline?**
   - The decision affects $502,000 of direct investments in coal and nearly 30 percent of the system's total $1.7 million exposure to coal in its managed investments, pension fund, and operating fund.

6. **How is "divestment" defined by the institution?**
   - The University of Maine System defined it as divesting from direct holdings in coal-mining companies.

- University of Maine Presque Isle defined divestment to more expansively to also include oil and natural gas.

7. **Where does the institution stand on the "spectrum of divestment?"**
   - A partial divestment from coal was determined the best course of action for the University of Maine System due in part to the complicated investment structure of the endowment, which is mostly managed through mutual funds, commingled funds and limited partnerships. These investment styles would make full divestment a series of small tedious divestments.
   - The new directive does not require liquidation of holdings of mutual or co-mingled funds.
   - The University of Maine Presque Isle committed to full divestment of fossil fuel-related stocks.

8. **Who are the key contacts related to the institutional investment?**
   - Iris SanGiovanni Divest UMaine
   - Brian Flewelling, Foundation Board President (Presque Isle): 207-760-4571, brian_v_flewelling@keybank.com
   - Connor Scott Divest UMaine
   - Brooke Lyons-Justus Divest UMaine
   - UMaine President Susan Hunter
   - Catherine Fletcher Divest UMaine
   - Trustee Bonnie Newsom

9. **What were some of the initial hesitations to divestment and obstacles encountered along the "path to divestment?**
   - The University of Maine Board of Trustees unanimously agreed on their divestment from coal.
   - University of Maine Presque Isle President Linda Schott approached the Foundation board about divestment to ensure consistency between the campus' efforts and its foundation's direct investments.
   - The U of Maine system is the first public state university system in the United States to make such a move.
   - The approved coal divestiture policy will affect 30 percent of the system's investment exposure to coal.
   - "The wholesale divestiture of fossil fuel could have an impact on the system's ability to manage risk, diversify, and seek returns. NEPC also warned of additional costs associated with managing a fossil fuel-free portfolio." New England Pension Consultants (NEPC)

10. **What are some recommendations from those involved in the institution's divestment decision?**
    - The coal directive is modeled after a policy approved by Stanford University.

11. **Was there any movement to combine divestment with socially responsible investment?**
    - No.

Sources:

http://www.reuters.com/article/2015/01/27/maine-university-coal-idUSL1N0V62N320150127

http://www.umpi.edu/articles/umpi-foundation-board-completes-total-divestment-from-fossil-fuels/

http://mainecampus.com/2015/02/01/ums-unanimously-approves-policy-to-begin-divesting-from-coal/

http://350.org/university-of-maine-system-divests-from-coal-announces-full-divestment-of-umpi-foundation/

http://news.mpbn.net/post/umaine-system-votes-divest-coal

University of California System

1. How large is the institution's endowment?
- A $9 billion endowment (part of a whole $98 billion fund).

2. What is the structure of the endowment?
- $9 billion from endowments and other funds include pensions.
- Some UCs (Berkeley & UCLA) have separate endowments.
  - UC fossil Free is not pushing for this portion to divest.

3. How is the endowment managed?
- The fund is managed by the UC Regents and Chief Investment Office (CIO).

4. What was the timeline for the divestment decision?
- Divestment is a work in progress, starting about 3 years ago.
- Once the decision was made to divest from all coal and oil sand companies, the action was employed immediately.

5. What was or is the timeline for the actual divestment process and where is the institution currently situated along this timeline?
- Currently, the UC system is at partial divestment, as they divested from $200 million in investments in some large coal and oil sand companies. There are no public future plans as of now.

6. How is "divestment" defined by the institution?
- Divestment is a tactic for removing unethical stocks, bonds or investment funds from an institution's endowment. The aim is to remove support from companies whose work is detrimental to creating a socially and environmentally just world.

7. Where does the institution stand on the "spectrum of divestment?"
- Partial, mainly focused on coal and tar sands oil.
- There are no more direct holdings in coal and tar sands.

8. What is the particular "divestment policy language" of the institution?
- There is no policy language since there is no official university divestment policy. The decision to divest the $200 million was made by the CIO's office.

10. What were some of the initial hesitations to divestment and obstacles encountered along the "path to divestment"?
- The administrators tend to argue it is not economically feasible.

11. What are some recommendations from those involved in the institution's divestment decision?
- "Our biggest hardship, from where I'm sitting, has been wasted time. We spent too much time for too long thinking that by sitting on all the Regents' committees, by talking to all the right people and making all the right arguments (by being *right* and working *with* the

decision makers) we could get the Regents to divest. This wasted a tremendous amount of capacity and didn't do much to change their minds. We then spent a lot of time building actions on the outside and doing our own recruitment, without actually spending time on the inside with the administrators who could make the decision to find out what they wanted and how we could strategically move them. All that was pretty frustrating. My advice would be that people in power (i.e. your administration) will never do what you want because you are nice to them, because you're convincing or because you work with them; they will also never do what you want if the only work being done towards divestment is recruitment among the student body. It takes a strategic use of disruptive outside pressure and inside negotiation, coordinated together, to get anything done. We wasted a lot of effort before we realized that, and that was our greatest hardship." Jake Soiffer, UC Fossil Free

12. Was there any movement to combine divestment with socially responsible investment?

- UC Fossil Free is pushing for a policy to be signed that promises reinvestment of the money into sustainable solutions led and controlled by local communities.

Humboldt State University

Humboldt State University (HSU) is located in Arcata, California and is part of the California State University system. The University has a long history of commitment to social and environmental responsibility as well was responsible investment through their Advancement Foundation. As of March 2015, the investment manager of the HSU endowment is RV Kuhns & Associates, Inc. They stated that previous to HSU, none of their other organizations had been involved in divestment, so this was all new to them. However, they were excited to take on the new challenge (HSU Online).

In 2013 a group of students demanded that the Advancement Foundation divest it's $28 million endowment from the fossil fuel industry. Initially the Foundation declined, however with additional public pressure, both groups began to work with each other towards the goal of divestment and socially responsible investment. The board was advised by Duncan Robins, a consultant to the Foundation, to take "bold, responsible action", having "a direct, positive and deliberate effect" on the issue of fossil fuel divestment. Their intent was "to increase Humboldt State University's impact on social, and environmental policy and decision-making, while remaining true to the Foundation's fiduciary mandate" (HSU Minutes).

In the end, the University planned on "removing direct investments from virtually all 'concerning sectors' of the financial world", moving towards socially responsible investing (HSU Minutes). At their meeting in April, it was concluded that HSU had between $2.3 to $4.4 million dollars invested in "concerning sectors" that would be removed with their new plan. The Advancement Foundation created the Principles of the Humboldt State University Socially and Environmentally Responsible Offset and Mitigation Policy (SEROP) listing that:

The Humboldt State University Advancement Foundation will:

1. Define Socially or Environmentally Concerning Sectors ("Concerning Sectors") in a broad, bold way so as to include:
    a. Energy – extraction, distribution, refining and marketing (i.e. oil, natural gas, coal and related/supporting industries);
    b. Utilities – electricity generation (i.e. utilities utilizing carbon-based fuels);
    c. Aerospace/Defense, Alcohol, Tobacco, Gaming and Casino industries. Revisit these definitions and revise as appropriate over time.
2. Continue to abstain from any direct investment in Concerning Sectors.
3. Monitor and report on the value of indirect investments in Concerning Sectors.
4. Make reasonable attempts to reduce the size of indirect investments in Concerning Sectors provided any divestments are consistent with the Foundation's fiduciary requirements.
5. Define Socially or environmentally Responsible ("SER") organizations, projects or assets initially as ones which:
    a. Are environmentally friendly (i.e. reduce the levels of atmospheric C02) or;

    b. Improve the health and well-being of our community members. Revisit these definitions and revise as appropriate over time.
6. Actively seek offsetting investment opportunities in SER organizations, projects or assets.
7. Invest directly in SER organizations, projects or assets provided that:
    a. Investments meet the Foundation's fiduciary requirements and policies.
    b. Investments support the mission, vision and values of Humboldt State University.
8. Monitor and report on the value of direct investments in SER assets and active investments in SER organizations or projects.
9. Monitor and report on the value of obvious indirect investments in SER organizations, projects or assets.
10. Create a Socially and Environmentally Responsible Offset and Mitigation (SEROP) Fund (with appropriate policies) and actively seek donations of funds and assets that could be used to support the Humboldt State University SEROP principles (HSU Minutes).

This collaboration between the two groups also led to the creation of the Humboldt Investment Pledge. With this, HSU and other universities in the US created a small group whose focus is to divest mutual funds instead of direct holdings, from the fossil fuel industry. The Advancement Foundation agreed to take the following steps in October 2015 to comply with the investment pledge, including:

- Directing that 10 percent of the overall portfolio, including mutual funds, be shifted to "green funds"—those with no holdings in fossil fuels or other concerning sectors. The goal is to complete this over the next year.
- Reiterating a long-standing policy of having no direct investments in fossil fuels or other concerning sectors.
- Committing to create a new fund that will be invested entirely free of fossil fuels or other concerning sectors. The distributions from this fund will be used for campus-based sustainability projects.
- Directing its Development Committee to explore creating a "Green Challenge" in which every $500,000 donated to the permanent endowment will allow shifting another 10 percent of the portfolio to green funds. The Foundation's financial advisors estimate this would make up for the slightly lower earnings of the green investments (HSU Now).

Sources

Humboldt State University. "Minutes of the Finance Committee" (2014): 11 Apr. 2014. Web. <http://www2.humboldt.edu/hsuaf/docs/financeMinutes041114.pdf>.

Humboldt State University. "Humboldt State University Helps Lead Push for Fossil-Free, Greener Investing." *Humboldt State Now*. 26 Nov. 2014. Web.

<http://now.humboldt.edu/news/humboldt-state-university-helps-lead-push-for-fossil-free-greener-investing/>.

Humboldt State Online. "HSU Helps Lead Push for Fossil-Free, Greener Investing." *YouTube*. 27 Mar. 2015. Web. <https://www.youtube.com/watch?v=U3s-3rPRuxo>.