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Recommendations of the Tufts Divestment Working Group

Please click here to view President Monaco's message to the community on divestment.

The Tufts Divestment Working Group presented its recommendations in a report to President Anthony P. Monaco on January 9, 2014. The Board of Trustees reviewed and accepted the report at its meeting on February 8.

Members of the working group were:

Patricia L. Campbell, Executive Vice President
Laurie A. Gabriel, J76, Chair, Board of Trustees Investment Committee
R. Bruce Hitchner, Professor of Classics, School of Arts and Sciences
Lila Kohrman-Glaser, A15, School of Arts and Sciences
William R. O'Reilly Jr., A77, A13P, Trustee
Andrew Peng, A14, School of Arts and Sciences
Devyn Powell, A14, School of Arts and Sciences
Ann Rappaport, G92, A06P, Lecturer, Urban and Environmental Policy and Planning, and Co-director, Tufts Climate Initiative
Andrew Safran, A76, F77, A09P, Trustee
Kelly Sims Gallagher, F00, F03, Director, Center for International Environment and Resource Policy, and Associate Professor of Energy and Environmental Policy, the Fletcher School
Benjamin D.E. Weilerstein, A16, School of Arts and Sciences

President Monaco, who established the working group in April 2013, asked the working group to examine three areas:

- Divestment from fossil fuel companies
- Whether the university should establish a fund focused on sustainable investing
- Other steps Tufts might take to address climate change

The following are the recommendations of the Tufts Divestment Working Group:

Fossil Fuel Divestment
The majority of the working group recommends against beginning a process of divesting at this time.

- Given the method of investment employed by Tufts, divestment would likely result in a significant reduction in operating funds, leading to an immediate material and adverse impact on the educational experience, access to a Tufts education, and research.
- Restructuring the endowment to include only managers of fossil-fuel-free funds would cause a meaningful impact on the diversification and risk/return profile of Tufts' endowment. It is the imperative of the Board of Trustees, which has fiduciary responsibility for the endowment, and university leadership to prudently manage Tufts' resources to ensure a financially sustainable future for the institution.
- Although there are differing views on whether divestment by many institutions would have any impact on fossil fuel companies, it is clear that divestment by Tufts would have no impact on the cost of capital to, or the behavior of, fossil fuel companies, especially given that Tufts currently has less than 2 percent of its assets invested in fossil fuel companies.
- The fund managers who invest the Tufts endowment are legally bound (and have financial incentives) to continuously consider the concern that fossil fuel investments are overvalued due

to the “stranded asset” or “carbon bubble” theory, thereby assuring Tufts that this concern (among many others) will be properly considered in the prudent investment of its endowment.

There was a strongly held minority opinion on the working group that divestment could be feasible in the near term without serious detrimental impact on the endowment, if executed carefully and strategically over five years. Opinions of the minority group include:

- If the Investment Office were to collaborate with experts in ESG (Environmental, Social and Governance) investments and managers who operate divested portfolios in making necessary changes to Tufts’ investment practices, the university could divest from fossil fuels without significant financial impact. To begin this process in the very near term would likely require the Investment Office to make significant changes to its investment structure to give the university more direct control over its investments.
- If the Board of Trustees were to agree to begin the process of divestment today, that provides five years to undergo the process gradually, carefully and in whatever form the Trustee Investment Committee and Investment Office deem most appropriate for the health of the endowment.
- While all members of the group respect the acumen of Tufts’ fund managers, concerns remain that Tufts would not be able to avoid the impact of a “carbon bubble” based solely on market indicators, which could lead to losses comparable to those felt during the 2008 housing crisis and have an adverse impact on operating funds.
- We recognize that divestment gains more power as a tactic for effecting change when adopted by many parties, and thus hope that Tufts’ path to divestment would include ways to make divesting a more feasible and attractive option for other institutions to follow.

Establishing a Sustainability Fund
The working group recommends establishing a Sustainability Fund. Next steps include:

- Ask the Investment Office to identify and research managers who offer sustainability funds that can meet Tufts’ investment needs and criteria.
- Determine whether a Sustainability Fund should be part of the Tufts Endowment Fund and whether it should be in the Total Return Pool (TRP), or a separate fund.
- Establish a spending rule for the Sustainability Fund, possibly different than that for the TRP.
- Consider focusing spending from a Sustainability Fund on renewable energy and energy-efficiency projects.
- Alternatively or in addition, consider focusing spending from a Sustainability Fund on curriculum and research initiatives.
- Establish a timeline for creating a Tufts Sustainability Fund.
- Encourage donors to consider supporting the Tufts Sustainability Fund wherever appropriate.
- View the Sustainability Fund as an experiment that will be expanded more broadly if it is successful in meeting Tufts’ investment objectives and is an appropriate fit for the endowment’s investment structure.

Other Actions for Consideration

- Using the research and policy expertise of Tufts faculty and students, seek opportunities to inform and educate federal and state representatives about climate change, energy policy, alternative energy technologies, fossil fuel taxes and other related initiatives.
- Assess the curriculum with respect to climate change and climate justice issues and look to offer more classes on climate change science, policy and technology (both mitigation and adaptation). Consider possible cross-school degree programs in sustainability and/or energy and climate change, similar to the graduate certificate program Water: Systems, Science and Society.
- Assess the extent and quality of research at Tufts on climate change and climate justice issues. Consider how to significantly strengthen programs in these domains, building on existing strengths at Fletcher, Engineering, Arts and Sciences and its Department of Urban and Environmental Policy and Planning. Assess how students are contributing to the research mission and how they could do so more effectively. Consider establishing a cross-school research initiative to raise the profile of Tufts on climate change and climate justice. Fundraising would be

required, but would build on Tufts' already-strong sponsored research foundation on these issues.

- Promote interest among college and university leaders to develop a collective "presence" on sustainability issues, potentially including through a collective investment in a Sustainability Fund, both as an avenue to explore the return/risk implications and to assess the feasibility of broader ESG investment efforts.
- Use a group such as University Leaders for a Sustainable Future, which developed the Talloires Declaration, as a forum for ongoing discussion about divestment, sustainable investing and investment opportunities as the markets evolve.