

Northwestern University  
Minutes of the Faculty Senate  
Videoconference and Guild Lounge  
May 4, 2022

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The Northwestern University Faculty Senate held its standing monthly meeting on May 4, 2022, in Guild Lounge and over Zoom videoconference. President Robert Holmgren called the meeting to order at 5:03 p.m. A quorum was present.

The president noted that the minutes from the April 6, 2022, meeting were approved and entered into the record.

The president then introduced Chief Investment Officer Amy Falls. Vice President Falls began with a presentation on the University's investments, including addressing last year's returns (an extraordinary 42.2% return driven primarily by private equity and venture capital) and also looking at how the endowment is performing this year. She said with such a large return, Northwestern had reached a valuation of nearly \$15 billion. She said that return ranked 9<sup>th</sup> overall among universities in investment returns. Vice President Falls noted that she often makes these peer comparisons because these universities are competing for faculty, staff, and students as Northwestern is, and if they have more resources then they have an advantage. Northwestern's endowment also supports about 25% of the budget, she said, as compared to Princeton's, which supports around 60% of their budget. Although, Vice President Falls said her office is focused on trying to move Northwestern's asset value up so the endowment can comfortably provide more support for research, for graduate students, and financial aid. She also mentioned the Board of Trustees approved moderate changes to asset allocation to lower overall liquidity to enhance returns moving forward. Prior to doing this, she said her office spent (and continues to spend) a lot of time studying different investment options that will achieve the highest amount of gain with the lowest amount of volatility.

During the presentation, Senator Luis Amaral asked to what extent climate change comes into play when modeling different investment scenarios. Vice President Falls said the modeling Senator Amaral described are "scenario plans," not volatility modeling. These scenario plans, she said, are highly

involved and speculative. For example, Vice President Falls said they are actively looking at scenarios that might involve sanctions against China (10% of the endowment is invested in China). She said they have to consider such potentialities, as extreme as they may sound. She also cautioned against believing such scenario plans are fact, given how hard it is to predict how future events will unfold.

Senator Angela Lee referenced the recent proposal by undergraduate students to divest from fossil fuel companies. She then asked if environmental, social, and governance (ESG) is prioritized in investment decisions. Vice President Falls said the trustees are the financial stewards, and any non-financial stipulations put onto investments have to be approved by the Board. Most universities also have an advisory committee on investment responsibility (ACIR), like Northwestern does, and they are tasked with reviewing and prioritizing what issues are most pertinent, like examining investments in for-profit prisons or fossil fuel companies, for example, she said. She noted that Northwestern does not own many securities directly. Northwestern invests in managers and the managers invest in the securities, Vice President Falls said. This makes disinvestment complicated, she said. But she did indicate that principles can outweigh returns when examining portfolio managers. She maintained that ESG is a part of what the managers do every day, and also a part of every conversation they have with managers. Circling back, Vice President Falls said ACIR is the process for looking at issues related to potential divestment. However, she said, what Northwestern hasn't had is consistent full-time staffing. Typically, ACIR's have full-time staff members and it reports outside of the investment office, she said, and the Chair is also a long term position.

Vice President Falls continued with her presentation. She said the endowment took a small hit this year now that the market is struggling. She then concluded her presentation by sharing rolling three-year returns that indicated Northwestern's rank among peers with over \$1 billion in assets. She said right now Northwestern is middle of the pack in returns over the last few years. Her goal is to get into the top quartile.

The president then opened the floor for questions.

Senator Kyle Henry asked about if there are conflict of interest protections in place for Board of Trustees members and potential investments. He also asked, in terms of managing private venture

capital investments, what kind of data the Board receives. Vice President Falls said all the data her office gets to assess managers comes from the managers—it is all audited, but the investment office does a lot to double check the information they receive. She said the Board can be a source for potential investment opportunities if they know people, but she said she thinks it is important to have as little overlap between the Board and managers as possible. There are conflict of interest rules, too, she added, in terms of related parties in investments, and Vice President Falls said she expects those to get stricter going forward.

Senator Mark Witte said his constituents (NTE faculty in Weinberg College of Arts and Sciences) are concerned about recent financial crises and how the endowment is being used versus how much debt the University is willing to take on to cover costs (like retirement matching, for example) when investment returns are still very high. Vice President Falls said it is not her call how much debt to put on the balance sheet. She said she prefers to manage the endowment with more cash on hand as compared to the more fully-invested policies of the past. She said it is her job to make sure there is a payout from the endowment, and she wants to take on that responsibility without having to borrow if at all possible. Senator Witte followed up by asking if another financial shock were to take place, would Northwestern look at ceasing to match retirement accounts. Vice President Falls said she doesn't have a say in how the money gets spent. She said she does not expect to cut the payout. She also said there is enough cash on hand to draw three years' worth of payments if absolutely necessary. She stressed such action would not be at all preferable, but it is possible.

Senator Ezra Getzler asked if a strategy of broadening investments would have an impact on investing in China or guns or if they are independent. Vice President Falls said they are independent. In her view, the more a manager constrains themselves, the less they can optimize. She said they do have a policy in the works that is not full divestment from oil and gas, but actually works to engage those companies on a transition to clean energy. She said they constantly try to balance returns versus ethical oversight. But, Vice President Falls said, oftentimes setting parameters can limit an institution when dynamics shift.

Senator Henry said there are near certain long term environmental crises as compared to uncertain short term shocks, and he wondered how the University factors in those long term shocks when looking at potential short term benefits. Vice President Falls said these decisions are complex. She

maintained that one thing they are working on is the reduction of carbon emissions across the portfolio. She also said she would like to work with companies moving forward who are tracking their own carbon footprint, like looking at the top 200 holdings Northwestern has and examining their carbon footprint and working to get that to zero. She added that she wants to invest in energy transition. Being at Northwestern is a real strength in this regard because she said she sits at the cutting edge of studies being done on carbon capture and hydropower ventures, for example.

With no further questions, the president thanked Vice President Falls for her presentation.

The Senate then went into a closed session to consider and vote on honorary degree nominees.

Following that, the president began his report.

The president said the Senate has been closely monitoring staff vacancies. He said the number of open positions has dropped from 660 to 459 in the last month. He said the other good news is that there have been 180 new staff positions listed. The president added that the new Vice President for Human Resources is doing in person hiring in Evanston, and given the need for IT staffing, these searches have been expedited.

The president said the NTE Committee continues to meet with Associate Provost Sumit Dhar to address issues related to NTE faculty. The Research Affairs Committee also continues to meet with Vice President of Research Milan Mrksich and Feinberg's Vice Dean for Scientific Affairs Rex Chisholm. The RAC has been looking into paperwork on grants and IRB issues.

The president said the Spring Faculty Assembly will take place on Tuesday, May 31. He said it will be a Zoom webinar. The president plans to remark on shared governance. President Schapiro will then provide his own remarks. Q&A will follow. The president noted this will be President Schapiro's final Faculty Assembly meeting.

The president then opened the floor for questions. Seeing none, he moved on to the next agenda item, which was nominations for Faculty Senate President-Elect.

The president said the Executive Committee nominated Senate Regan Thomson, who is chair of the Faculty Rights and Responsibility Committee, as a candidate for President-Elect. The president then opened the floor for nominations. Senator Amaral nominated himself. The president said that Senator Amaral and Senator Thomson will share a statement with the Senate prior to the June meeting and then will make oral statements at the June meeting prior to the vote.

Senator Henry inquired if there will be an opportunity to ask candidates questions at the June meeting.

Senator Lois Hedman said she ran against former Senator Claudia Swan and they both made statements at the meeting, but she didn't recall answering questions. The parliamentarian likewise recalled each candidate making a statement.

Senator Karen Alter said she thought questions should be allowed.

The president said there will be equal parameters for both candidates, a period of time for statements and questions. He asked if there were any objections to this format. There were none.

The president asked if there was any new business.

Senator Herman Riecke said he read an [article](#) in the Daily where a student claimed to have a terrible experience with the Office of Equity. He said he found the matter disconcerting and asked if the Senate could look into the matter. The president said he would follow-up, but he tempered expectations in how much the Office of Equity could share on the matter. He said it is equally challenging in that the head of the Office of Equity left recently for the University of Chicago.

Senator Hannah Feldman said she thought it was worth considering what the student said and what the Senate could do for the student. The president clarified his earlier statement citing a past experience when they worked with the Office of Equity on the cheer team complaints. He said the Office of Equity shared general knowledge then, but could not share specific details in any case.

Senator Alter said she was not trying to preclude Senate involvement, but she did mention the Ombuds office as a potential resource. The president said he is happy to look into the matter further.

Senator Amaral said he there should be a mechanism for independent reviews of the procedures of the Office of Equity. The president said there was an independent investigation with the cheer team incidents.

The meeting then adjourned at 6:49 p.m.

Respectfully submitted,

Jared Spitz

Secretary to the Faculty Senate