

# Campus Environmental Advisory Committee

## 2024-5 Annual Report

Quamrul Ashraf, Mike Evans, Vanya Funez, Sarah Jacobson, Nate Kim, Oscar Newman (student chair), Sam Samuel, Eiko Maruko Siniawer, Tanja Srebotnjak, Amanda Turek, Heather Williams (chair)

This year the Campus Environmental Advisory Committee (CEAC) worked on two initiatives: 1) the college's approach to impact investing as a tool for reducing global greenhouse gas emissions, and 2) initiatives for reducing electricity consumption on campus to help the campus community move away from use of fossil fuels.

We started the year by learning about the college's approach to impact investing, both in terms of the endowment and in terms of opportunities for employees' retirement funds. We made the full report and recommendations about these matters available in February. That report is attached.

During the second half of the year, we focused primarily on an important issue related to the college's energy use: finding ways to reduce electricity consumption on campus. This goal benefits the environment in three ways. First, while electricity consumed on campus is relatively "green," much of it is produced using fossil fuels<sup>1</sup>. Second, because of Williamstown's geographical location, we are at the proverbial (and literal) "end of the line" for our area's electricity grid transmission, and that means there is a limit to how much electricity we can draw from the grid with the current infrastructure. Third, we hope to instill habits and mindfulness around electricity use that members of our community may bring with them when they are off campus, so that, for example, students who graduate have more of a resource-aware mindset. The CEAC – with important help from other campus groups, including Facilities, Office of Campus Life, the Zilkha Center for the Environment, as well as important student groups – worked on planning to run a highly visible contest between student housing units (all residences, including dorms and co-ops) during late September / early October of 2025 to increase student awareness and reduce electricity use. Planning for this contest is ongoing, and will continue over the summer, when members of the group look at past data and decide how best to set a baseline for each residence; the baseline may consider factors such as number of occupants, room types, and outside temperature. Percent reduction of electricity use—and potentially additional indicators such as per-student reduction—during the contest will be calculated relative to the baseline, and results will be posted periodically in the contest in public areas and on a readily accessible online dashboard.

After one iteration of the contest is completed in fall 2025, the lessons learned will be compiled so that they may be used for designing future contests and to generate ideas for additional approaches to reducing electricity use more broadly across campus. In addition, the Zilkha Center for the Environment may facilitate exchange with other liberal arts colleges in the region (e.g., Amherst, Smith, Mt. Holyoke and Hampshire Colleges) to explore opportunities for a joint competition in the future.

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<sup>1</sup> Some electricity produced on campus is co-generated with heat, using fossil fuels but at high technical efficiency; the rest comes from the grid, and according to the US Energy Information Administration (<https://www.eia.gov/state/?sid=MA#tabs-4>), 70% of the electricity in the Massachusetts grid in 2023 came from fossil fuels; that should decline, until net emissions are zero by 2050, according the Massachusetts Decarbonization Roadmap (<https://www.mass.gov/doc/ma-2050-decarbonization-roadmap/download>).



# Global Greenhouse Gas Emissions and Williams College's Investment Practices: A Report from the Campus Environmental Advisory Committee

February 2025

Quamrul Ashraf, Mike Evans, Vanya Funez, Sarah Jacobson, Nate Kim, Eiko Maruko Siniawer, Oscar Newman (Student Chair), Tanja Srebotnjak, Amanda Turek, and Heather Williams (Chair)

## Executive Summary

Williams College is committed, according to its 2021 Strategic Plan, to “substantially increasing our commitments to sustainability” by “continuing to invest the endowment in impact investments that promote measurable reductions in global carbon emissions”<sup>1</sup>. In the fall of 2024, the Campus Environmental Advisory Committee (CEAC) assessed the progress that is being made on this commitment. Since 2019, Williams College has not made new investments in funds that are involved in fossil fuel extraction and production; and, as of 2022, it was anticipated that phasing out fossil fuel investments would be complete by 2033<sup>2</sup>. The proportion of Williams College’s endowment in funds that focus upon “impact investing” is low, less than 2% of our \$3.7 billion endowment. Even though the college’s impact investing funds have yielded strong returns, such investments have increased very slowly, and only after explicit but relatively low goals have been set by the Board of Trustees’ Investment Committee.

We make one recommendation directed at continuing the college’s increase its investments in funds that reduce global greenhouse gas emissions<sup>3</sup>:

- 1. We are pleased to note that the Investment Office has worked hard to find and make commitments to impact investment funds, which reduce global greenhouse gas emissions, although such commitments are currently modest. We strongly recommend that Williams College increase the pace of committing endowment funds to impact investments.**

Our second recommendation addresses the reporting of progress in meeting the college’s investment goals related to sustainability:

- 2. We recommend that the Board of Trustees’ Investment Committee and the College’s Investment Office prepare and release yearly reports on a) progress in increasing impact investing within the endowment and b) progress in decreasing investments in funds that are involved in fossil fuel extraction. The new Investment Office web site is a good start; additional detail will increase transparency.**

Our third and fourth recommendations focus on the options available to college employees for investing their personal retirement portfolios; these portfolios currently amount to \$600 million.

- 3. We recommend that the Retirement Plan Oversight Committee assess “low-carbon”<sup>4</sup> fixed income funds among the options available through TIAA and add one such curated fund to the college’s offerings to employees.**
- 4. We support the Retirement Plan Oversight Committee’s plan to add a “brokerage window” option that allows employees access to ~14,000 mutual funds, which will include many ESG funds, but we strongly recommend that access to this option be accompanied with a clear warning about the potential risks of investing in this manner.**

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<sup>1</sup> <https://www.williams.edu/strategic-planning/strategic-plan-2021/>

<sup>2</sup> <https://president.williams.edu/writings-and-remarks/letters-from-the-president/williams-investment-practices-and-climate-change/>

<sup>3</sup> Although the 2021 Strategic Plan uses the term “global carbon emissions”, we use the term “global greenhouse gas emissions” instead, because some gases that contribute to climate change and are produced by human activity do not include carbon atoms.

<sup>4</sup> The terminology for impact investment funds uses “low-carbon” as a shorthand to describe investments that reduce or mitigate the release of all types of greenhouse gas emissions due to human activity.

## Background

Williams College seeks to provide the finest possible liberal arts education, one that gives its members the opportunity and responsibility to serve society at large as they respond in agile, nuanced ways to a wide range of challenges. One such challenge is climate change. This challenge will shape the lives of current and future students long after current faculty, staff, administrators, and trustees are gone.

When an overwhelming body of evidence supports a conclusion, that conclusion can be accepted as fact. Two such facts are: 1) the global climate is warming at an unprecedented rate, and 2) this change is primarily due to the greenhouse effect caused by gases released into the atmosphere by human activities. Given the central importance to the college's mission of investing in the future of society, we need to find ways to translate our principles into policies that mitigate the adverse impacts of the college's activities on the climate. We recognize that by adopting policies that reflect its principles Williams College can only have a very small direct effect on the trajectory of climate change or any other social issue. However, failing to adopt such policies is a moral failure; it represents an abdication of leadership and turns our backs on our principles. To act responsibly and morally reflects our core values and prevents us from falling into the trap that leads some individuals not to vote – "because, after all, one vote doesn't matter". We need to put policies in place that help us act in ways that would result in important benefits for society if everyone adopted those same policies.

It is with these principles in mind that the Campus Environmental Advisory Committee (CEAC) approached the issue of how climate change is affected by Williams College's activities. The college community, led by the Zilkha Center for the Environment, can and does act directly to make changes that reduce greenhouse gas emissions on campus and is following a path toward achieving net-zero emissions. During the first part of the 2024-5 academic year, the CEAC chose to focus on another area where the college's activities contribute to global greenhouse gas emissions: the activities of the businesses in which the College invests its endowment, as well as those funded by investment opportunities offered to employees through the College retirement system. These are two separate pools of money but two areas in which Williams makes policy choices relevant to the funding of polluting and green activities. Both are substantial: the endowment amounts to approximately \$3.7 billion, and the total amount in Williams retirement portfolios is approximately \$600 million. We asked how investment policies and practices in both of these areas shape the college's engagement, and the opportunity that employees have to engage, with businesses that affect climate change positively and negatively, and whether change to these policies and practices might result in a reduction of the global greenhouse gas emissions that fund the collective work of the college and the retirement of its employees.

### The Endowment's Investment in Fossil Fuels and Impact Funds

During the fall of 2024, we met with Abigail Wattley, the College's Chief Investment Officer. Current investment policies related to decreasing the endowment's investment in the use of fossil fuels include the following provisions:

- The college's endowment is not making any new investments in fossil fuel funds, a strategy that began in 2019 and has been a formal commitment since 2022. This has meant that, since 2019, no new investments have been made and there has been no re-investment of returns from existing holdings in funds dedicated to the extraction of fossil fuels. The expectation is that, over time, existing fossil fuel investments will be entirely liquidated and eventually the college's endowment will no longer include investments in fossil fuel extraction. This may be a slow process, and in 2022 it was anticipated that complete divestment would be achieved in 2033.
- As of the fall of 2024, a total of \$70 million has been committed to six impact fund investments that reduce global greenhouse gas emissions (1.8% of a total endowment of \$3.7 billion).
- These impact investments from the college endowment have been in response to explicit and relatively modest short-term targets set by the Trustees' Investment Committee: \$25 million by 2020, and an additional \$30 million by 2026. The Investment Office has exceeded these targets, but the total proportion of the endowment committed to impact investments is still low in absolute and relative terms.

- As a group, the six impact funds that the Investment Office has chosen to date have performed very well. As of June 2024, these funds had an internal rate of return (IRR) of 26.6%<sup>5</sup> with only one fund yielding negative returns.

### Employees' Retirement Impact Fund Investments

During the fall of 2024 the CEAC also met with Brad Wakeman, the Investment Office's Managing Director and Chief Operating Officer, who directs the investment program for employees' retirement funds. He provided information about options available to employees who wish to invest retirement funds in a way that reduces the use of fossil fuels:

- Slightly more than 3% of employee retirement portfolios have been directed (by the employees themselves) to the three socially conscious and low-carbon funds available as investment options to Williams College employees and retirees through TIAA.
- These three funds do not include a fixed-income low-carbon fund; fixed income funds are especially important for employees who are retired or are nearing retirement.
- The college is considering adding a "brokerage window" to the retirement fund options. This would allow employees to invest their retirement funds in any of about 14,000 funds. However, anyone who uses this potential option would need to be willing to take on the substantial risk that comes from choosing from among funds that have not been vetted by an experienced investment professional.

With this background in mind, we asked what Williams College could do to better promote its values and work toward a more responsible and financially secure future in the ways it invests its endowment – as well as providing opportunities for employees to invest in their retirement funds in ways that match their values in relation to environmental sustainability. However, there are important constraints that limit the ways that investment policies can be reconfigured to match our mission and core values.

### **Constraints: Fiduciary Responsibility and ERISA**

The college's Investment Office as well as the Board of Trustees' Investment Committee have a fiduciary responsibility, meaning that they must, by law, act in the best financial interests of the college. In doing so, they consider returns, risk, and the balance of commitments across investment categories, all with the goal of providing both the income that the college needs for its daily business and the resources the college will need in the future. Thus, fiduciary responsibility necessarily considers a variety of factors in deciding what investment to choose. As Brad Wakeman said, "it means being careful". To some of us, "being careful" includes being careful about the societal impact of investments; if an investment yields short-term benefits but compromises the college's ability to carry out its mission in future decades, our moral responsibility is not being met. The threat of climate change is real, present, and increasing, the causes of climate change are clearly understood, and slowing it is of crucial importance to the future of Williams College. Since climate change results from greenhouse gas emissions resulting from human activities, it is clearly essential to the college's future that we need to act to decrease both our own direct emissions and the indirect emissions that result from our investments; again, our actions alone will not halt climate change, but if climate change damages are to be limited, everyone must act. However, the standard, narrower view of "fiduciary responsibility" would not include these moral considerations.

The Employee Retirement Income Security Act of 1974 (ERISA) holds that fiduciary responsibility constrains investments by institutions that have retirement plans. Since 1974, the Department of Labor has issued several rules about the fiduciary responsibilities of providers of retirement plans. Most recently, in 2022, a rule was promulgated stating that investments must be made available based on factors relevant to a risk and return analysis – and that those factors "may include the economic effects of climate change and other environmental, social, and governance factors". The college currently makes three socially conscious investment choices available as part of its retirement plan; one is a low-carbon equities fund, and two serve other socially

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<sup>5</sup> The vintage of the six investments varies, from 2016 to 2021, and hence the period varies as well. IRR, or Internal Rate of Return, is a measure of return that takes into account the timing and size of cash flows as well as the initial market value and the market value on the date it is measured.

conscious purposes. As employees approach retirement, they are usually advised to shift retirement investments from equities (stocks) to fixed income (bond) funds. However, Williams College's retirement fund options do not include a fixed-income low-carbon choice, which means that employees approaching retirement cannot choose to invest according to their principles while keeping their portfolios appropriately balanced.

Adding a fixed-income low-carbon fund that has been vetted by the Retirement Plan Oversight Committee would resolve the issue of allowing employees approaching retirement to have a balanced portfolio that aligns with their values. However, there is a concern that changes in the federal administration may cause the existing rule to be replaced and make it more difficult for the college to give its employees retirement fund investment options that minimize or mitigate climate change, even though the current policy allows employees to freely choose how to distribute their retirement accounts across the funds offered through TIAA, and can simply ignore any fund they are not interested in investing in.

One possible way around this potential problem would be to make all the funds in the U.S. investment universe available to employees through a "brokerage window" that would allow employees to invest their retirement contributions in any of ~14,000 funds. The obvious issue with this solution is that most college employees are likely not comfortable making financial choices in that large and chaotic environment. So, by choosing the brokerage window route, the college would allow employees to expose their retirement savings to substantial financial risk. However, if the Trump administration limits retirement plans' ability to consider ESG factors when selecting retirement investment funds, the "brokerage" window might become the only option available for providing employee access to ESG options for their retirement portfolios.

## **Summary**

Overall, while the college's investment policies for the endowment clearly need to put the financial interests of the college first, those interests are necessarily tied to the changing physical environment. Climate change has ongoing financial consequences that the college and its members will have to deal with in the decades to come. Our investment policies would do well to consider the long-term financial consequences of climate change as part of their responsibility to "be careful". We urge the Board of Trustees' Investment Committee and the Investment Office to do as much as they can within the bounds of "being careful" to continue and even accelerate the gradual decrease in fossil fuel investments, and to accelerate the increase in impact fund investments.

In contrast to how the endowment is invested, the college does not directly dictate or choose how employees invest their retirement funds – but, by not providing a fixed-income low-carbon option among the funds available through TIAA, the college makes it more difficult for employees to choose investments that align with their personal sustainability goals. Despite this handicap, college employees have collectively invested more than 3% of their retirement portfolios in socially responsible funds (a relatively low number, but more than half again the proportion of the endowment that is committed to impact investments). Employees are limited in their ability to make impact investments because the college has not made a TIAA fixed-income fund in this category available.

Finally, impact investments need to be checked not only for their risk-return characteristics but also to determine whether they are in fact accomplishing the goals that are inherent in their designations. Does a given low-carbon fund actually avoid investments in fossil fuels? Do impact investments actually reduce or mitigate greenhouse gas emissions into the atmosphere? Williams College can ask these questions of its fund managers, and we can also ask what standards are being used to assess the answers to the questions.

## **Recommendations**

With these values, constraints and goals in mind, we make four recommendations. One is a suggestion for policies that would promote continued investing of the endowment in ways that align with the parts of Williams College's Strategic Plan that address sustainability. The second recommendation addresses the issue of reporting and transparency, with the goal of regularly providing accurate and complete information about the status and performance (both in financial and in greenhouse gas terms) of both impact and fossil fuel investments to the college community. The final two recommendations ask that employees have access to a) a

retirement plan option that allows them to invest in a fixed-income low-carbon fund, which is especially desirable for those who are retired or nearing retirement, and b) as a backup, a brokerage window option.

- 1. For the endowment: We are pleased to note that the Investment Office has worked hard to find and make commitments to impact investment funds, which reduce global greenhouse gas emissions, although such commitments are currently modest. We strongly recommend that Williams College increase the pace of committing endowment funds to impact investments.** To this end, we recommend that whenever a new investment option is being considered, it should be compared to the best socially conscious or low-carbon alternative in the same investment category; if these two possible investments are similar in anticipated returns and risk, the default should be to invest in the socially conscious or low-carbon alternative. To make this recommendation effective, it is important that the Investment Office continue to actively and vigorously search for investment opportunities that meet recognized criteria as being effective impact investments, and that the Board of Trustees' Investment Committee support those efforts and the goal of making more investments in funds that explicitly reduce global greenhouse gas emissions.
- 2. In relation to the endowment: We recommend that the Board of Trustees' Investment Committee and the College's Investment Office prepare and release yearly reports on a) progress in increasing impact investing within the endowment and b) progress in decreasing investments in funds that are involved in fossil fuel extraction. The new Investment Office web site is a good start; additional detail is needed to increase transparency.** Reports prior to 2024 have only occasionally provided information on impact investing and have been lacking in detail. We were glad to see some of this information in Abigail Wattlely's presentation to CEAC in the fall of 2024 and in the new Investment Office website; these changes represent a much-needed improvement on past reporting. To this end, we urge the Investment Office and the college to advocate for annual reporting from fund managers on how their funds' investments impact greenhouse gas emissions, in a way that aligns with national and/or international standards for such reporting<sup>6</sup>.
- 3. For employees' retirement investments: We recommend that the Retirement Plan Oversight Committee assess low-carbon fixed income funds among the options available through TIAA and add one such curated fund to the college's offerings to employees.** Many other colleges and universities include such funds among the options they provide their employees<sup>7</sup>. Although ERISA rules may change, as they have in the past, we should not deprive employees of this option in the present merely because such changes might occur in the future.
- 5. For employees' retirement investments: We support the Retirement Plan Oversight Committee's plan to add a "brokerage window" option that allows employees access to ~14,000 mutual funds, which will include many ESG funds, but we strongly recommend that access to this option be accompanied with a clear warning about the potential risks of investing in this manner.** The college is considering a "brokerage window" option as an alternative to adding vetted funds to the curated set available for employees' retirement investment options available to employees. We are concerned about the increased risks that would come from giving employees access to some 14,000 funds, the vast majority of which will be markedly inferior in terms of risk and return than the funds that are available through TIAA. If the college in fact goes ahead with this option, it will be important to have strongly worded warnings about risk whenever an employee accesses the brokerage window. We note that adding the brokerage window option may provide some employees with desirable options, but that it is not a substitute for providing all employees access to a low-carbon fixed income retirement investment option by adding a curated fund to the set already available directly through college TIAA accounts. The two approaches are not mutually exclusive, and we recommend that both be pursued.

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<sup>6</sup><https://www.sec.gov/rules-regulations/2022/10/s7-17-22>; [https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting\\_en](https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en)

<sup>7</sup>[https://docs.google.com/document/d/1yNCHtEV95\\_FUprGaKgWVZdCusTWSq\\_QB/edit?usp=drive\\_link&ouid=102628005971559663211&trtpof=true&sd=true](https://docs.google.com/document/d/1yNCHtEV95_FUprGaKgWVZdCusTWSq_QB/edit?usp=drive_link&ouid=102628005971559663211&trtpof=true&sd=true)