

SENATE COMMITTEE ON SOCIAL CONCERNS
MINUTES OF MEETING
MAY 12, 2008

[In these minutes: Green Team, Socially Responsible Investment Subcommittee Update, Food & Beverage RFP Update, Bike/footpath Resolution]

[These minutes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate; none of the comments, conclusions or actions reported in these minutes represent the views of, nor are they binding on, the Senate, the Administration or the Board of Regents.]

PRESENT: Katherine Fennelly, chair, Joseph Marchesani, Jennifer Oliphant, Richard Lidstad, Benton Schnabel, Stacy Hebdon, Michael O'Day, Ken Heller, Mark Pedelty, Ajay Skaria, Jessica Arett, Christine Dolph, Justin Drees, Elizabeth Morrissey

REGRETS: Todd Tratz, Rebecca von Dissen, David Fox, Catherine Jordan

ABSENT: Amelious Whyte, Yiyuan Zhao, Allison Arling, Nick Curtis

OTHERS ATTENDING: Stuart Mason, chief investment officer

GUESTS: Leslie Bowman, director, UDS Contract-Administration; Suzanne Hedrick, UDS marketing manager; Becky Hirn, UDS Green Team intern; Riv-Ellen Prell, chair, Socially Responsible Investment Subcommittee

I). Professor Fennelly called the meeting to order.

II). Members unanimously approved the February 14, 2008 minutes.

III). Professor Fennelly welcomed Suzanne Hedrick and Becky Hirn who had been invited to today's meeting to provide members with information on the UDS (University Dining Services) Green Team initiative. Ms. Hirn began by noting that as a UDS Green Team intern she educates people about sustainability, organic composting, and a variety of health and wellness issues.

Ms. Hirn shared examples of events sponsored by the Green Team:

- 'Farm stands' in the residence halls.
- 'Tray-less' dining – students were asked to forego taking a tray when picking up their meal at one of the residential restaurants. The purpose of this event was to reduce waste, and save on water, energy, etc. This single event saved 315 pounds of food and over 1,600 gallons of water.
- Compost collection – From December 2007 to April 2008, 182 tons of eco-friendly waste have been composted.

- Green & Healthy, a game developed by members of the Green Team, which is played in different venues across campus in an attempt to engage students in UDS' social responsibility and environmental efforts.

Next, Ms. Hirn shared 2007 Green Team sustainability statistics with the committee, and highlighted the following:

- UDS purchased 170,184 pounds of local produce, which represents a 184% increase over 2006.
- UDS customers consumed over 124,000 gallons of Land-O-Lakes milk system-wide.
- 40,000 pounds of cage-free eggs were purchased.

Questions/comments from members include:

- Is the compost available to the public? Ms. Bowman stated that it is not yet available to the public, but this is the hope for the future.
- What gets composted? Ms. Hirn stated a lot of different things can be composted such as food scraps, napkins, paper, cardboard materials, biodegradable packages.
- Are there alternative products that vendors can use in place of Styrofoam? The national brand vendors that use Styrofoam products would need to make this type of product change at a corporate level. Panda Express and Jamba Juice have been notified of the institution's efforts to use materials that can be composted.
- Is the Green Team collaborating with other units/departments on campus that have green initiatives? Ms. Hirn reported that Green Team interns fairly recently participated in the College of Design's Eco-Fair. Whenever asked to participate in events, the Green Team attends and brings their 'farm stand'. Ms. Bowman added that President Bruininks recently charged Vice President Kathy O'Brien and Dr. Deb Swackhamer, interim-director, Institute on the Environment, to form a committee to formulate sustainability policies and goals for the University. In addition, University Services recently hired a sustainability coordinator. There are efforts underway to pull together all the University's sustainability efforts.
- Will UDS be the food service vendor for the new University Children's Hospital? Ms. Bowman stated that she was not sure, but guessed that this facility will be part of the Fairview system.

Professor Fennelly stated that it was very interesting to hear about the work of the Green Team, and thanked Ms. Bowman, Ms. Hedrick and Ms. Hirn for this presentation.

IV). Professor Fennelly welcomed Professor Riv-Ellen Prell, chair, Socially Responsible Investment Subcommittee. Professor Prell reported that she recently met with the SCFA Retirement Subcommittee to encourage them to add at least one socially responsible investment fund to the Faculty Retirement Plan (FRP) investment line-up. At this meeting she gave a short presentation, which she agreed to share with the Social Concerns Committee. Highlights from this presentation included:

- The mission of the Socially Responsible Investment (SRI) Subcommittee is to investigate the availability of SRI funds for possible inclusion into the FRP, and to educate University employees about SRI funds.

- In conversations with Professor Murphy, chair, Retirement Subcommittee, Professor Prell became aware of the Retirement Subcommittee's concern over a proliferation of funds being offered in the FRP. Additionally, from this conversation, it was unclear whether there was enough interest on the part of plan participants to warrant adding another SRI fund(s).
- During the course of this academic year, the SRI Subcommittee uncovered:
 - There are inadequate SRI options in the FRP.
 - SRI funds can be both good and ethical investments.
 - There is demand on the part of faculty and P&A for new SRI options.
- Socially responsible investing is an investment strategy that seeks to maximum financial returns while recognizing the need for social good.
- SRI investment strategies include:
 - Passive investing, which passively seek to avoid harm. Portfolio managers, using a passive investment strategy, do not seek to outperform the benchmark index. The University's current SRI fund, the Vanguard FTSE Social Index Fund, is a passive fund.
 - Active investing, on the other hand, is an investment strategy where the portfolio manager makes specific investments with the goal of outperforming a benchmark index.
- Currently, the Vanguard FTSE Social Index Fund is available as an investment choice in the Faculty Retirement Plan (FRP), the Optional Retirement Plan (OPR), and the 457 Deferred Compensation Plan. Given the University's decision to stop all future contributions to TIAA-CREF, faculty and staff can no longer contribute to the TIAA-CREF Social Choice Account, which actually has performed better than the Vanguard FTSE Social Index Fund in certain reporting periods.
- Morningstar only gives the Vanguard FTSE Social Index Fund a single star and rates its risk as above average and return as either low or below average.
- The SRI Subcommittee conducted a brief survey to gauge the interest of faculty and P&A staff to determine whether additional SRI options should be made available in the retirement plans. This was an on-line survey from April 15, 2008 – April 30, 2008. Approximately 8,000 – 9,000 faculty & P&A staff were polled, and a total of 1,613 responses were collected; at a bare minimum the survey response rate was 17.3%, which is considered a reasonable response rate given what University on-line surveys usually return.
- Ninety three percent of survey respondents indicated that they would be interested in investing in a socially responsible fund if it were available and demonstrated excellent performance. 6.4% indicated they would not be interested in investing in a SRI fund.
- The SRI Subcommittee encouraged the Retirement Subcommittee to begin the process of adding new a SRI option(s) to the FRP fund line-up. Recommendations from the SRI Subcommittee to the SCFA Retirement Subcommittee included:
 - Recognize the limitations of the current option.
 - Investigate additional SRI option(s) for all University employees.

- Determine appropriate benchmarks for performance and social responsibility screens.
- Offer best SRI fund options under Securian umbrella, or, if necessary, add additional vendors.

Professor Prell reported that the Retirement Subcommittee voted to continue the discussion concerning adding an additional SRI fund(s). Since this meeting, Professor Prell stated that she received a message from Professor Murphy, chair, Retirement Subcommittee, asking her, on behalf of the SRI Subcommittee, to attend a fall Retirement Subcommittee meeting to make recommendations about which SRI fund(s) should be added to the FRP fund line-up. Professor Prell stated that rather than providing the Retirement Subcommittee with a list of recommended options, she had proposed that the two committees work together to promote conversations on campus that would serve to identify what SRI screens are most highly valued by employees. Naturally, it will be impossible to put in all the screens that would make every employee happy given the fact that there are hundreds of screens.

According to Professor Prell, it will be a challenge to find a fund(s) that is not too expensive, and to decide upon which screens should be used.

At the conclusion of her formal presentation, Professor Prell welcomed member's comments and questions, which included:

- How did the TIAA-CREF Social Choice Account perform in comparison to the Vanguard FTSE Social Index Fund? Professor Prell stated that the TIAA-CREF Social Choice Account performed better than the Vanguard FTSE Social Index Fund. She added that the Retirement Subcommittee takes its charge very seriously in terms of monitoring vendor and plan performance, and that, while warranted, the Retirement Subcommittee's recommendation to stop all future contributions to TIAA-CREF was a difficult decision, but done in the best interest of plan participants.
- Is Securian limited to only offering funds from certain vendors, e.g. Vanguard, Fidelity? Professor Prell stated that the financial advisor with whom the SRI Subcommittee consulted recommended adding another vendor besides those currently doing business with the University. Assuming this is doable, fund costs may be too high for the University to accept.
- The level of risk for the Vanguard FTSE Social Index Fund seems contrary to the level of risk for most SRI funds. Professor Prell stated that the Vanguard FTSE Social Index Fund is an all-stock fund, and, therefore, the reason it is ranked as a high risk fund.
- Given the survey responses, this seems like a perfect opportunity to start conversations on campus about socially responsible investing. The attitude of the Retirement Subcommittee, in terms of simply having the SRI Subcommittee tell them what funds should be offered, is somewhat disconcerting. Professor Prell stated that the Retirement Subcommittee has a difficult job, one of which is to keep costs to the FRP down. It is not the intent of the Social Concerns Committee to squander the FRP money, but social concern interests are not necessarily

represented at the Retirement Subcommittee table. This is the reason the two committees should work together.

Professor Fennelly asked whether Stuart Mason or Stacy Hebdon from the Office of Investments and Banking had any comments to add. Stuart Mason, chief investment officer, stated that he is not surprised by the response of the Retirement Subcommittee in terms of asking the SRI Subcommittee to identify SRI criteria, possible funds, etc. Whether the two committees work together or not, the place to start would be to identify SRI screening criteria. There are many on-line resources available. Cost is always an issue. Many of the actively managed funds, especially the specialty funds, tend to have an annual fee in the range of 1% - 2%; as opposed to Vanguard, which charges approximately .02% and Fidelity, which charges roughly .04%. Higher costs eat away at a person's return.

Professor Prell asked whether the University or Securian decides which vendor's funds are offered to FRP participants. Mr. Mason explained that Securian is the University's retirement plan administrator. He stated that the University decides, which vendor's plans are offered in its retirement plan.

A member commented that the process of identifying potential SRI fund options is a very complex endeavor. Assuming a fund or funds are identified, finding funds that have a cost acceptable to the fiduciary could prove very problematic.

Professor Fennelly thanked Professor Prell for her presentation.

V). Professor Fennelly welcomed Leslie Bowman, director, UDS Contract-Administration, who had been invited to provide the committee with a Food & Beverage RFP update. Presentation highlights included:

- As background, in 1996 the University outsourced beverage vending on the Twin Cities campus and in 1998 food services were outsourced. Over the past few years, the University has worked strategically to align its food and beverage contract end dates.
- The Food and Beverage RFP Guiding Principles endorsed by the President's Executive Committee in April 2006 are:
 - Single enterprise – present one institutional position to vendors to maximize financial and programmatic benefits to the University, and to align contract revenue with the University's strategic and operational goals.
 - Core competencies – coordinate and manage all contracts via a single administrative unit, and identify and approve new campus food venues via a business case analysis. Departments and academic units will not be permitted to independently open and operate campus dining venues.
 - Improve performance and operational efficiencies – maximize labor productivity, ensure commitment to customer service, and ensure the campus good customer value.
- The RFP scope included the following components:

- System-wide beverage vending and pouring rights for all 5 campuses.
- Dining services, including retail, residential and catering at UMC, UMD, UMM and the Twin Cities.
- Non-beverage vending services at UMM, UMR, and UMTC.
- Concessions and catering services at Northrop Auditorium.
- Dining and catering services at the Minnesota Landscape Arboretum.
- Concession and dining/catering services in all the athletic venues.
- Dining and beverage services in TCF Bank Stadium.
- The RFP planning process began in October 2005, and the RFP was issued in March 2007. Responses from vendors were due back in July of 2007, and in April of 2008 the Board of Regents approved 4 vendor contracts. In July 2008, the designated contracts will begin.
- The RFP process was extensive in terms of participation by faculty, staff and students on various RFP committees.
- The University received the following responses:
 - Dining – AMARARK, Mintahoe, Sodexo
 - Beverage – CocaCola, Pepsi, Red Bull
 - Non-beverage vending – ARAMARK, Canteen, Sodexo, Taher
 No combined beverage and dining responses were received.
- The evaluation criteria was based on a 1,000 point scale:
 - Service and operational needs 350 points
 - Financial offer 400 points
 - References 150 points
 - Participation in and support of BCED 100 points
(Business Community Economic Development)
- Key non-financial contract provisions for all the contracts included:
 - Term of contract – 10-year or 12-year contracts, with renewal options.
 - Corporate responsibility commitment.
 - Commitment to excellence via an agreement to list the University as one of the vendor's top three references.
 - Performance standards and accountability provisions, e.g. safety, sanitation, customer satisfaction, employee satisfaction.
 - Sustainability requirements and mandated use of local products.
 - Healthy food offerings, and nutrition and wellness requirements.
 - Targeted Group Business (TGB) commitment.
 - Contract termination options were strengthened.
- In terms of the three beverage responses, Red Bull was notified in November 2007 that they were no longer being considered. Their offerings did not match the University's portfolio requirements given they only have energy drinks.
- CocaCola was awarded an exclusive 10-year beverage contract for the 5 University of Minnesota campuses. Compared to the current CocaCola contract that has an estimated \$15 million value to the University, the new contract has an estimated value to the University of \$38 million (the next closest financial offer was approximately \$29 million). Important to this process were CocaCola's commitments to sustainability, corporate responsibility, a strong TGB offer, healthy beverage options and reliable customer service.

- After reviewing the dining proposals that were received from vendors, UMD withdrew from the process, and decided to remain self-operated.
- ARAMARK was awarded a new 12-year contract on the Twin Cities campus, which includes the Arboretum, Northrop, Athletics, and campus dining. This contract has a one 4-year renewal option.
- A new 10-year contract with three 2-year renewal options was awarded to Sodexo to provide dining on the Crookston and Morris campuses.
- The dual dining award between ARAMARK and Sodexo has an estimated value to the University of approximately \$170 million over 16 years. The financial offer from ARAMARK to UMTC is valued at approximately \$96 million over 12 years.
- ARAMARK and Sodexo have agreed to sign corporate responsibility statements and to list the University as one of their top three references. In addition, they both demonstrated a significant commitment to sustainability and use of local products.
- A new 10-year contract was awarded to Taher, a Minnesota-based company, to provide non-beverage vending on the Morris, Rochester, and Twin Cities campuses. As part of this contract, Taher is required to have 25% of its products in the vending machines meet the healthy guidelines created by the University. A number of the vending machines on campus will be installed with card readers that will allow faculty, students and staff to use their Gopher Gold card at these machines.
- Revenue distribution decisions will align with the University's strategic and operational goals. These revenues will be distributed on an equitable basis amongst the campuses based on the size of student the population.
- Currently, the Taher contract has been signed. With respect to the other contracts, language and exhibits are being tweaked. Hopefully, all the contracts will be signed in the not too distant future.

Questions/comments from members included:

- What is included in the corporate responsibility agreements that vendors are being expected to adhere to? Agreements vary, stated Ms. Bowman, from company to company. The University spent a significant amount of time on these agreements, particularly the CocaCola agreement (based on student feedback). By signing the agreement, the vendor is signing on to the U.N. Global Compact (<http://www.unglobalcompact.org/>) and agreeing to adhere to the 10 principles (<http://www.unglobalcompact.org/AbouttheGC/TheTENPrinciples/index.html>) outlined in this compact. If incidents are discovered that seem to be in conflict with the compact, the University can inquire about the allegations, and the vendor has 30 days to respond. If the University is not comfortable with the vendor's response, and no agreement can be reached between the University and the vendor, the University is able to terminate a vendor's contract.
- Will the contracted vendors be required to work with minority, women or disabled owned businesses? Yes, stated Ms. Bowman, the Targeted Group Business (TGB) language in the contract addresses this. Vendors

are required to purchase products from minority, women or disability owned businesses.

- How will feedback on ARAMARK's performance be solicited? Ms. Bowman stated that as part of its annual business review, ARAMARK is required to meet the benchmarks set by the University. Performance will be measured based on a variety of measurements, including, but not limited to, customer satisfaction surveys, meal plan participation, sanitation scores, safety scores. ARAMARK is also required to have a UDS Advisory Committee.

VI). Copies of a bike/footpath motion drafted by Professor Pedelty, an outcome of the April 14 Social Concerns meeting, was distributed to members for their review. Member feedback included eliminating the 'whereas' language and combining the two 'resolved' clauses.

A member asked where this motion would go because it was not worded as if were intended to go to the University Senate. Professor Pedelty stated that Steve Sanders, campus bicycle coordinator, Parking and Transportation Services, would bring this document to negotiations for the development of this bike/footpath.

After a brief discussion, members voted to endorse this motion once it has been rewritten to incorporate the feedback from the committee.

VII). Possible agenda items for the 2008 – 2009 academic year were raised:

- a). Look into Johns Hopkins University's decision to discontinue the use of bottled drinking water, and eliminate the use of disposable plastic cups, plates and tableware (<http://www.jhu.edu/~gazette/2008/21apr08/21brody.html>). As a resource, a student member suggested looking at the 'Think Outside the Bottle' campaign (<http://www.thinkoutsidethebottle.org/>).
- b). Explore how the new University Children's Hospital will interface on environmental issues with Fairview. Jenny Oliphant agreed to do some preliminary research on this topic.
- c). Continuation of the work of the SRI Subcommittee.

VIII). Professor Fennelly thanked Renee Dempsey, Senate staff, for her work with the committee. Hearing no further business, Professor Fennelly adjourned the meeting.

Renee Dempsey
University Senate