U.A. Resolution # 19

Affirming Cornell’s Commitment to Ethical Investments and Financial Transparency

April 24, 2018

Sponsored by: Christopher Schott, Undergraduate; Chair, Campus Infrastructure Committee

On Behalf Of: Zachary Schmetterer, Undergraduate; Parliamentarian, Student Assembly

Whereas, the University Assembly (the “Assembly”) has the authority to examine matters which concern the welfare of a substantial segment of the campus community and may make recommendations thereon to the President or other appropriate officers of the university; and

Whereas, a letter signed by 28 organizations was sent to President Pollack on October 16, 2017 regarding the university’s endowment holdings in the Baupost Group (“Baupost”), which owns $911.6 million worth of Puerto Rican debt bonds; and

Whereas, Baupost has lobbied for the collection of these bonds through the PROMESA Act advisory board and the collection of such debt in a negotiated payback potentially puts Puerto Rico’s recovery from Hurricane Maria at risk; and

Whereas, Cornell has in the past made investments in distressed government debt through Baupost as well as through other entities without formal guidance principles from the Office of Investments;¹ and

Whereas, the Student Assembly passed a resolution calling for a divestment from Puerto Rican debt and greater transparency on February 22, 2018; and

Whereas, President Pollack rejected said resolution on March 30, 2018 on the grounds that 1) divestment from Puerto Rican debt did not meet the trustee’s standards for divestment and 2) current disclosure on tax statements is in accordance with legal requirements; and

Whereas, investing in distressed government debt necessitate a balance between seeking

¹ Cornell has divested from the Vulture Funds, which own the majority of these bonds.
repayment from a bankrupt entity and reducing investor profits; and

Whereas, such investments are likely to generate less than maximal return for Cornell’s endowment due to their highly volatile payback period and unknown risk; and

Whereas, the Board of Trustee and the University President have fiduciary responsibilities to the University to the care for the institution’s short- and long-term financial health, as well as ensure the preservation of its resources for future generations; and

Whereas, the Assembly appreciates the time and energy the Board of Trustee and the University President put into improving Cornell and responding to the needs of the Campus Community; and

Whereas, a culture of more transparent disclosure of investment partners and reports to relevant campus entities for input and collaboration is likely to build trust, engage the community in the budget planning process, and may produce healthier endowment returns by increasing the amount of input; and

Whereas, the Assembly wishes to work cooperatively with the University Administration to address these concerns; and

Whereas, the University Assembly passed Resolution #9 on 04/10/2018, reconstituting the Budget Planning Committee to increase community involvement in the University’s budgeting process; and

Whereas, in informal discussions, Resolution #9 has received positive feedback from the Provost’s office; therefore

Be it resolved, that the Assembly requests that Cornell University makes a commitment to ethical investing and operational transparency; and

Be it further resolved, that the University conduct a due diligence investigation of its holdings with the Baupost Group and other investment partners for Puerto Rican debt and report said findings confidentially to the UA Budget Planning Committee for further feedback; and

Be it further resolved, that the University also makes a commitment to expanding this collaboration by having relevant offices share information on investment partnerships in terms of initial investment amount, fund name, and other strategic details confidentially with the UA Budget Planning Committee to develop a working relationship to guide investment strategy and policy; and
Be it further resolved, the Cornell Board of Trustees’ Investment Committee as well as the Office of University Investments create distressed government debt investment guidelines in collaboration with the UA Budget Planning Committee to effectively review existing investments and partnerships as well as guide subsequent investments; and

Be it finally resolved, such guidelines shall endeavor to prevent the university from investing in exploitative creditor relationships, minimize return volatility, and ensure the sustainable growth of Cornell’s endowment.

No signature block is present until the resolution has been disposed of by the Assembly (Passed, Failed, Withdrawn, etc.) Then a block with the certifying member (customarily Chair/Vice-Chair) verifying the authenticity and vote tally of the resolution.