

R W2018.06

A Resolution Supporting an Investigation of the University Endowment and Potential Conflicts of Interest

A bill for the consideration of the College of Literature, Science, and the Arts Student Government

14, February 2018

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Whereas, the mission of the College of Literature, Science, and the Arts Student Government (hereafter LSA SG) is to “actively seek the voices of LSA students and advocate their interests to improve academic and non-academic life”;¹ and,

Whereas, as of June 30, 2017, the University of Michigan (hereafter the University) had an endowment fund valued at \$10.9 billion;² and,

Whereas, according to the American Council on Education, “an endowment is an aggregation of assets invested by a college or university to support its educational mission in perpetuity”;³ and,

Whereas, according to the University of Michigan Public Affairs and Internal Communications the endowment funds are designed to provide, “a guaranteed, never-ending source of income to support student scholarships, professorships, innovative programs, learning opportunities and life-saving research”;² and,

Whereas, it has come to light through a *Detroit Free Press* investigation that those who manage the University endowment have shown a potential conflict of interest in the investment of endowment funds ;⁴ and,

Whereas, less of the endowment goes toward University operations and financial aid⁵ than the University allocates toward the expansion of its investments in multi-billion dollar hedge funds; and,

¹ The Constitution of the College of Literature, Science, and the Arts Student Government. Article II

² “University of Michigan Endowment” - University of Michigan Public Affairs and Internal Communication <http://publicaffairs.vpcomm.umich.edu/key-issues/university-of-michigan-endowment/>

³ “Understanding College and University Endowments” - American Council on Education <http://www.acenet.edu/news-room/Documents/Understanding-Endowments-White-Paper.pdf>

⁴ “University of Michigan pours billions into funds run by contributors’ firms”, *Detroit Free Press* <https://www.freep.com/story/news/local/michigan/2018/02/01/university-michigan-endowment-donor-funds/1066143001/>

⁵University of Michigan Regents’ Communication Regarding the University Endowment Distribution Policy - July 15, 2010 <http://www.regents.umich.edu/meetings/07-10/2010-07-IX-3.pdf>

Whereas, according to the *Detroit Free Press* report, conflicts of interest may be present in endowment investment practices due to the fact that 2% of the entire endowment is invested in funds directly managed by members of the University’s Investment Advisory Committee, and further that various donors have received investments following their donations, and then received a second investment at a much higher rate of 75% than the average of 50% of their donation; and,

Whereas, among the findings of the *Detroit Free Press* report was that the Board of Regents “never voted against an investment recommended by staff” in a review spanning the last two decades, in addition to making most investment decisions without public debate, which indicates increasingly limited public oversight and a negligence in publicly disclosing endowment practices; and,

Whereas, the University released a statement⁶ in response to the *Detroit Free Press* story, in which it does not directly deny potential conflicts of interest, and further fails to confirm that investment practices do not have any adverse effects on the cost of tuition for students; and,

Whereas, student organizations representing the interests of various groups on campus have called for an investigation and increased oversight of the endowment, including The Roosevelt Institute at the University of Michigan, College Democrats at the University of Michigan, and College Republicans at the University of Michigan⁷; and,

Whereas, on Tuesday February 13, 2018 the Central Student Government introduced “A RESOLUTION TO SUPPORT AN INVESTIGATION OF POTENTIAL CONFLICTS OF INTEREST IN THE UNIVERSITY ENDOWMENT”.

Be it therefore resolved, LSA SG calls on the University Board of Regents and University Administration to conduct an investigation regarding potential conflicts of interest and best practices of investing the endowment funds; and,

Be it further resolved, a copy of this resolution, alongside the statement released by the Roosevelt Institute, shall be sent to Chair of the Board of Regents Mark Bernstein, University President Mark Schlissel, Chief Investment Officer Erik Lundberg, Provost and Executive Vice President for Academic Affairs Martin Philbert, Vice Provost for Academic and Budgetary Affairs Amy Dittmar, Executive Vice President and Chief Financial Officer Kevin Hegarty, and LSA Chief Financial Officer and Executive Director of Administration Steve Schlecht.

⁶ “Responses to stories on U-M Endowment” - University of Michigan Public Affairs and Internal Communication <http://publicaffairs.vpcomm.umich.edu/responses-to-stories-on-u-m-endowment/>

⁷ Roosevelt Institute at UM Statement on the University of Michigan’s endowment and potential conflicts of interest https://twitter.com/Roosevelt_UM/status/963179531342315521