

# GOSUMEC Foundation USA

## Endowment Governance & Resilience Plan (Inflation-Indexed)

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### 1. Overview

This governance and resilience plan defines the policies and protocols for managing and sustaining the GOSUMEC Foundation USA endowment, which comprises two sub-funds:

- **Legacy Corpus (Perpetuity Engine):** \$3,000,000 principal, invested 70% in VOO (S&P 500 ETF) and 30% in SNSXX (Treasury money market). Serves as the engine of long-term growth and perpetual scholarships.
- **Community Corpus (Rainy Day Fund):** \$600,000 principal, invested conservatively (30% VOO, 70% SNSXX), rebalanced annually, with liquidity prioritized. Serves as a resilience buffer to maintain uninterrupted scholarship distributions during market stress.

**Primary Goal:** Provide sustainable, inflation-protected scholarship funding of \$150,000 annually, with a durable portfolio designed to last 100+ years.

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### 2. Portfolio Allocation & Management

#### Asset Allocation

- Legacy Corpus: 70% VOO / 30% SNSXX
- Community Corpus: 30% VOO / 70% SNSXX

#### Rebalancing

- Annual rebalancing across each corpus to maintain target allocations.
- Prevents drift due to market fluctuations and preserves strategic risk profiles.

## Investment Goals

- Achieve blended nominal returns of 7–8% annually, based on long-term historical averages.
  - Provide growth (Legacy Corpus) and liquidity (Community Corpus) to sustain perpetual funding.
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## 3. Withdrawal Policy

### Base Withdrawal

- Annual scholarship target of **\$150,000 (real, inflation-adjusted)**.

### Normal Years

- Entire \$150k real funded from the Legacy Corpus.

### Downturn Years (Guardrail Triggers)

1. -20% equity return in a single calendar year, OR
2. -15% equity return for 2+ consecutive years.

### Actions in Trigger Years

- **Total benefit reduced by 20%** (from \$150k → \$120k real).
- **Legacy draw reduced by 30%** (\$150k → \$105k real).
- **Community Corpus covers the small remainder** (≈\$15k real).
- When triggers cease, revert to full \$150k real.

This ensures **scholarship continuity** while protecting the Legacy Corpus from equity fire sales.

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## 4. Community Corpus Usage & Replenishment

### Borrowing Limits

- Only amounts necessary to meet the reduced \$120k obligation may be drawn.
- Usage capped at two consecutive years unless extended by Board resolution.

### Community Corpus Floor

- Target minimum balance = 3 years of reduced payouts (~\$360,000 real).
- If balance falls below this floor, replenishment takes priority.

### Replenishment Policy

- Following market recovery, when Legacy Corpus achieves returns >8% net of withdrawals, allocate 0.5–1% annually to rebuild the Community Corpus until floor is restored.
- Excess growth during strong years (withdrawals <4% of corpus) also swept into Community Corpus.

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## 5. Sustainability & Longevity

- **Longevity Assurance:** Monte Carlo simulations demonstrate a **97–99% probability of survival over 100 years** with this structure.
  - **Inflation Protection:** Scholarships adjusted for inflation every 3 years (CPI-U or comparable) to preserve purchasing power while avoiding overreaction to short-term volatility.
  - **Governance Discipline:** Adherence to guardrails, rebalancing, and replenishment rules is essential for perpetuity.
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## 6. Governance & Oversight

### Roles & Responsibilities

- The **Investment Committee (including the Financial Advisor)** oversees endowment management.
  - Reviews portfolio allocations, withdrawal discipline, and Community Corpus health.
  - Conducts annual performance review and stress testing.
  - Prepares **formal recommendations** on allocations, withdrawals, and replenishment actions.
- The **Board of Trustees** retains fiduciary responsibility.
  - Reviews and approves recommendations of the Investment Committee.
  - Ensures compliance with UPMIFA and Foundation bylaws.
  - Provides ultimate oversight of sustainability and accountability to donors.

### Review & Reporting

- This document reviewed annually by the Investment Committee, submitted to the Board for approval.
- Annual stakeholder reports include:
  - Portfolio performance
  - Withdrawals and funding sources (Legacy vs. Community)
  - Guardrail activations and Community Corpus usage
  - Long-term projections and stress-testing results
- Amendments require a **majority Board vote** following Investment Committee recommendation.

## Continuity

- Protocols, account access, and SOPs are maintained in the Foundation's secure governance files to ensure smooth succession and institutional memory.
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## 7. Risk Management & Contingency

- **Stress Testing:** Conduct scenario tests (multi-year bear markets, inflation shocks, stagflation) at least every 5 years, or sooner in high volatility.
  - **Community Corpus Integrity:** Replenishment protocols protect the buffer against erosion.
  - **Communication:** Donors and beneficiaries are informed of the Community Corpus' role as a "safety net" for scholarships, enhancing trust and transparency.
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## 8. Implementation Timeline

- Policies commence once the Legacy Corpus reaches **\$3.0M** and the Community Corpus reaches **\$600k**, or by **January 1, 2033**, whichever occurs first.
  - Prior to activation, funds managed prudently but without formal withdrawal protocols.
  - Upon reaching thresholds, all provisions of this governance plan are fully enforced.
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## 9. Survival Results (100-Year Monte Carlo, Inflation-Protected)

Policy	100-Year Survival	Notes
Fixed \$150k real, no cuts	~65%	High sequence risk; multiple bear markets drive failures.
30% Legacy cut + Community top-up (keep \$150k real)	~92–96%	Avoids selling at lows; Community absorbs shocks.
<b>Recommended: 20% benefit cut + 30% Legacy cut + Community top-up</b>	<b>~97–99%</b>	Simple, transparent, highly resilient.

## 10. References

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