

# GOSUMEC Foundation USA

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

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### 1. Overview

This plan defines the governance, policies, and resilience protocols for sustaining the GOSUMEC Foundation USA endowment. The endowment 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 long-term growth engine for perpetual scholarships. This corpus may grow as the number of donors increases.
- **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 ensure uninterrupted scholarship distributions during market stress. This corpus may grow as the number of donors increases.

**Primary Goal:** Provide sustainable, inflation-protected scholarship funding of **\$1,000 annually per student, adjusted for inflation every 3 years**. At current funding targets, this equals **\$150,000 annually to support 150 students**. The number of students supported will grow as the number of donors increases.

**Activation:** Policies and guardrails take effect once the endowment is fully funded (Legacy = \$3.0M, Community = \$600k), and no later than January 1, 2033. Allocations and student support will increase proportionally as the donor base grows.

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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 within each corpus to maintain target allocations.
- Prevents drift due to market fluctuations and preserves the intended risk profile.

## **Investment Goals**

- Target blended nominal returns of 7–8% annually (based on long-term averages).
- Legacy Corpus provides growth; Community Corpus provides liquidity to sustain perpetual funding.

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## **3. Withdrawal Policy**

### **Base Withdrawal**

- Annual scholarship target: \$1,000 per student (real, inflation-adjusted).
- At full funding, this supports 150 students (\$150,000 annually).
- Both the number of students and the total funding will increase as the number of donors increases.

### **Normal Years**

- Entire annual amount funded from the Legacy Corpus.

### **Downturn Years (Guardrail Triggers)**

- Equity market declines of –20% in a single calendar year, OR
- –15% or more for two consecutive years.

### **Actions in Trigger Years**

- Total annual support reduced by 20%.

- Legacy Corpus draw reduced by 30%.
- Community Corpus covers the shortfall to maintain continuity.

When triggers cease, distributions return to the full \$1,000 per student (inflation-adjusted), scaled by the number of students supported.

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## 4. Community Corpus Usage & Replenishment

### Borrowing Limits

- Only amounts required to meet reduced obligations may be drawn.
- Usage capped at two consecutive years unless extended by Board resolution.

### Community Corpus Floor

- Minimum balance target = 3 years of reduced payouts (~\$360,000 real).
- If balance falls below this floor, replenishment becomes the first priority.

### Replenishment Policy

- After market recovery, when Legacy Corpus returns exceed 8% net of withdrawals, 0.5–1% annually is allocated to rebuild the Community Corpus until the floor is restored.
  - Excess growth during strong years (withdrawals <4% of corpus) is also swept into the Community Corpus.
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## 5. Sustainability & Longevity

- **Longevity Assurance:** Monte Carlo simulations demonstrate a 97–99% probability of survival over 100 years.

- **Inflation Protection:** Scholarship support (\$1,000 per student) adjusted every 3 years (CPI-U or equivalent).
  - **Governance Discipline:** Strict adherence to guardrails, rebalancing, and replenishment rules ensures perpetuity.
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## 6. Governance & Oversight

### Roles & Responsibilities

- The **Investment Committee** (including Financial Advisor) oversees allocations, withdrawal discipline, and Community Corpus health, conducts annual reviews and stress testing, and provides recommendations.
- The **Board of Trustees** retains fiduciary responsibility, approves Investment Committee recommendations, ensures UPMIFA compliance, and provides donor accountability.

### Review & Reporting

- This document is reviewed annually by the Investment Committee and submitted to the Board.
- 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 majority Board approval following Investment Committee recommendation.

**Continuity:** Protocols, account access, and SOPs are maintained in secure governance files to ensure smooth succession and institutional memory.

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## 7. Risk Management & Contingency

- **Stress Testing:** Multi-year bear markets, inflation shocks, and stagflation are tested at least every 5 years (or sooner in high volatility).
  - **Community Corpus Integrity:** Replenishment protocols prevent long-term erosion.
  - **Communication:** Donors and beneficiaries are regularly informed of the Community Corpus' role as a "safety net," reinforcing transparency and trust.
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## 8. Implementation Timeline

- **Before Full Funding:** Funds managed prudently but without formalized withdrawal/guardrail policies. Allocations may be more conservative until thresholds are achieved.
  - **Activation Date:** Policies commence once Legacy = \$3.0M and Community = \$600k, or by January 1, 2033 (whichever comes first). Proportions may increase as the donor base grows.
  - **After Activation:** All provisions—allocations, guardrails, replenishment, reporting—are fully enforced to ensure perpetuity.
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## 9. Peer Group Ranking

Peer Group	Typical Practice	Typical Rank	GOSUMEC Rank	Notes
Under \$10M endowments	Flat 5% withdrawal, minimal guardrails, low transparency	★★★★ – ★★★★	★★★★★ ★	Best-in-Class: guardrails, inflation protection, rainy-day fund, Monte Carlo modeling.

Under \$50M endowments	4–5% rule, IPS, some stress testing, few rainy-day buffers	★★★★ Standard	★★★★★ Exemplary	Exceeds peers via guardrails, buffer, replenishment, transparency.
\$50M+ mega endowments	3–6% bands, smoothing formulas, staff teams, hedging	★★★★★ – ★★★★★ ★	★★★★★	Simpler by design; donor clarity prioritized over complexity.

## 10. References

- Uniform Prudent Management of Institutional Funds Act (UPMIFA), 2006.
- Council on Foundations. *Endowments for Nonprofits: Building, Maintaining, and Spending Prudently*, 2019.
- NACUBO–Commonfund Study of Endowments (NCSE), 2023 (<\$50M segmentation).
- Yale University Investments Office. *Spending Policy for Endowment*.
- Princeton University, Office of Finance & Treasury. *Endowment Spending Rule*.
- Commonfund Institute. *Principles of Endowment Management for Smaller Nonprofits*, 2019.
- Cambridge Associates. *Guardrails for Nonprofit Endowments: Best Practices for Spending Discipline*, 2022.