

# RETIREMENT PLAN REVIEW

PCA RETIREMENT & BENEFITS, INC.

1st Quarter 2014

## SPECIAL REPORT

This is a special edition of the *Retirement Plan Review*. In this issue we will introduce you to a process we are calling **Investment Refresh**. Through this process, PCA Retirement & Benefits, Inc. (RBI) will help you professionally manage your investments within your retirement account.

Several years ago, I witnessed an alarming event at a friend's neighborhood pool. It was a sunny day in Atlanta during the end of May. The water was too cold for this Floridian, so I decided to sit by the edge of the pool. In the shallow end there was a young mother playing with her four beautiful children. She had three older girls and her youngest child was a towheaded little boy. Like most boys, he was full of energy.

With his mom and sisters nearby, the young toddler began splashing water on himself and then on his sisters. He was quite amused by his actions, but the humor was lost on his sisters. The girls slowly moved away from their brother and soon the little boy sought out others things to do in the shallow end. Eventually he began jumping from step to step, wading deeper and deeper in the pool. With each successful jump his confidence grew, but his last jump of the day was just a little too far. None of his family members saw him go under the water, but I did. Unlike the movies, there was no screaming or splashing. He went under while unsuccessfully trying to doggy paddle his way back to the surface.

There are many important skills that we need to learn in life, and these skills help us avoid a host of dreadful consequences. Swimming is a skill that does not come naturally, and neither does managing our own investments. Both these critical skills are learned. We are the first generation of people who will receive a majority of our retirement income from a 401(k) or 403(b) plan. These types of plans are not easily mastered, and require a high level of investment expertise. You need

## Why Investment **REFRESH?**

We recognize most of our participants do not know how to manage their investments within the plan and are in need of help. This is where RBI will come in. Through the Investment Refresh process we will transfer all of your existing investments into a fund (i.e. PCA Target Retirement Funds) that is professionally managed to maximize growth opportunities when you are young and minimize volatility as you approach retirement. We believe these funds are ideal for the vast majority of you and we genuinely think your retirement outcomes will significantly improve as a result of being invested in the fund.

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to understand the science of investing and do research, assessment, and planning in order to effectively manage the investments within your retirement account. The amount of income and how long you are able to receive that income is largely a function of how well you manage your investments within your account. Do you feel prepared?

Most of us are not prepared. We don't know how to manage the investments within our retirement account. When it comes to swimming, we are quick to recognize our limitations as well as our need for help. We hire lifeguards who are in charge of swimmer's safety. These men and women are strong swimmers and are trained in the art of water rescue. It was a lifeguard who rescued the blond toddler from a near drowning event. The lifeguard was vigilant and took quick action when the boy went under. He used his training and expertise

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# PCA TARGET RETIREMENT FUNDS

## WHAT IS IT and HOW IS IT DESIGNED to help me invest?

Have you had specialized education that taught you about investments and proper investment strategies? Without proper training, it would be hard to know what distinguishes one investment option from another, much less, trying to create an investment portfolio across a wide range of investment options. You could read copious amounts of educational materials, but most would prefer to outsource these responsibilities to someone else. I'd prefer that a competent investment professional would manage the process for me. Is this your preference as well? Do you want someone to professionally manage your investments for you?

This is one of the goals of the Investment Refresh process. We want to move you into a fund that provides you with the maximum level of investment assistance and thereby reduces your responsibilities of maintaining an adequate investment portfolio. No longer will you have to periodically tweak the asset allocation or seek investment guidance.

The goal of the PCA Target Retirement Funds is to create a professionally managed portfolio that is properly diversified across several different types of underlying investments. The funds held within the appropriate PCA Target Fund reflect the proper risk for your current stage of life. The Target Funds with dates far out in the future (e.g. 2055, 2050, etc.) are designed to be more aggressively invested. Over time your fund will gradually become more conservative as you approach your retirement date and beyond.

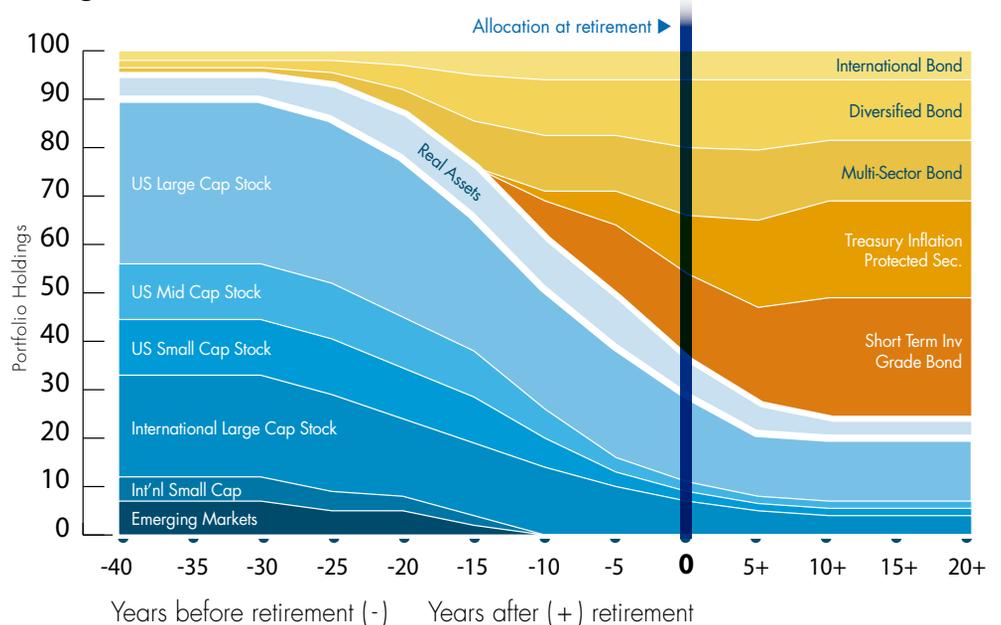
To assist you in the process of investing, we have designed twelve Target Retirement Funds. Each fund has a number within the target fund name (e.g. PCA 2035). This number refers to the approximate year you can expect to retire and

begin receiving income from your PCA retirement account. During the Investment Refresh process, PCA Retirement & Benefits, Inc. (RBI) will automatically move you into a target date based on your age. If you are already in an appropriate Target Retirement Fund, no change will occur.

Keep in mind, the professionals at RBI regularly monitor and adjust each PCA Target Retirement Fund to provide you with greater stability and reduced risk. Several changes were recently completed within these funds that will reduce your costs and will provide you with additional diversification. These changes are described below.

*The goal of the PCA Target Retirement Funds is to create a professionally managed portfolio that is properly diversified across several different types of underlying investments. The funds held within the appropriate PCA Target Fund adequately reflect the proper risk for your current stage of life.*

### Target Retirement Fund Glide Path



- Adjusted the Equity "Glide Path" of the PCA TRF's to more distinctly reflect the risk and return needs of PCA employees and their families. The "Glide Path" is the changing allocation to stock investments over the lifetime of the TRF investor. This change was based on PCA demographic data and analyzed by the actuarial staff at Callan Associates.

- Added a diversified Real Asset product with growth characteristics to protect the overall portfolio from potential inflation.
- Added a strategic allocation to International Small Cap for higher potential returns for international investments.
- Improved downside protection of fixed income investments through clearly defined allocations to Core Fixed Income, Global Fixed Income, Short Duration Fixed Income, Treasury Inflation Protected Securities, and Real Assets.
- Implemented two morally screened passive (index fund) Large Cap Growth and Value U.S. Equity Funds. These funds will represent 75% of large cap exposure which will contribute to an overall reduction in investment management fees.

For more information on Target Retirement Funds, please visit our website [www.pcarbi.org](http://www.pcarbi.org) and click on Target Funds under the Retirement & Investment section.

## INVESTMENT REFRESH PROCESS—*Frequently Asked Questions*

### **Q: What is Investment Refresh?**

**A:** Investment Refresh is a one-time event where PCA Retirement & Benefits, Inc. (RBI) will move your existing assets and your future contributions into an age appropriate PCA Target Retirement Fund. This type of fund is professionally designed and is comprised of top tier underlying funds.

Those of you who want to keep your current investment portfolio (or select a new one) will be able to “opt-out” of the Investment Refresh process. Detailed instructions will be communicated within the second quarter edition of the Retirement Plan Review (RPR).

### **Q. What is a Target Retirement Fund?**

**A:** A Target Retirement Fund is a single fund comprised of many underlying funds that automatically reset the investment mix according to your targeted retirement year. The fund starts off with a more aggressive position, and gradually, grows more conservative as you age. RBI has taken this fund concept and tailored it for our ministry partners.

### **Q. What are the PCA Target Retirement Funds?**

**A:** The PCA Target Retirement Funds are designed to provide you with a maximum level of investment assistance. No longer will you have to select an appropriate investment portfolio, monitor the portfolio and manage it over time. Those investment decisions can now be turned over to our experienced portfolio management team.

### **Q: Why is RBI performing the Investment Refresh?**

**A:** A successful retirement depends on several things, including an appropriately diversified investment portfolio. Over the years, many of you have confided that you lack the expertise to create and manage your investment portfolio. Without meaningful intervention, a large number of our ministry partners will not be able to adequately provide for themselves and their families in retirement.

To combat this challenge, we are conducting the Investment Refresh process for all retirement plan participants. We believe this will improve retirement outcomes for most of our ministry partners, including you.

### **Q: I like my current portfolio. It is an optimally designed portfolio that has been tailored specifically for me. Can I keep the allocation?**

**A:** Yes, you can keep your current investment portfolio. However, there are steps that you will need to take in order to “opt-out” of the Investment Refresh process. That process will be described in full detail in the next RPR.

### **Q: Is there any action required of me at this time?**

**A:** At this time, no action is required of you. However, we recommend that you read all communications sent to you and also visit our website for the most up-to-date information.

### **Q: When will the Investment Refresh process take place?**

**A:** The Investment Refresh will occur on September 26, 2014. At this time RBI will move your existing assets and your future contributions into an age appropriate PCA Target Retirement Fund. No action is required by you. Those who want to opt out of the Investment Refresh process will be able to do so beginning on August 15, 2014 through September 15, 2014.

## **Looking for your 1st QUARTER RETURN information?**

Due to the special nature of this quarter’s Retirement Plan Review, you will not find performance information on the investments held within the PCA Core Funds or PCA Target Retirement Date Funds. You can quickly access this information by visiting [www.pcarbi.org](http://www.pcarbi.org) and clicking on the “Fund Performance (Returns)” section under Retirement & Investments section in the menu bar. Additionally, you may obtain this information by speaking with a RBI Service Representative at 800-789-8765.



### Why Investment Refresh *Continued from cover*

to rescue they boy. Are you in need of help?

We welcome this opportunity to be of assistance to you and we want to help you manage one of the most challenging aspects of your retirement account – the investment part. We understand that many of you do not have the time, interest, or in particular, the expertise to manage your retirement investments. After a lot of careful thought and deliberation, we have decided to use a new industry practice that is typically referred to as “re-enrollment.” This process is a onetime event that involves us moving participants into an age appropriate PCA Target Retirement Fund. Through this fund, we will provide you the maximum level of assistance in managing your investments. We will select an ideal mix of funds based on your age, and we will manage those funds to become more conservative as you approach retirement years. To avoid potential confusion, we are calling the process “Investment Refresh”.

However, we recognize there are some who do not want any changes to their current investment line up. Those who do

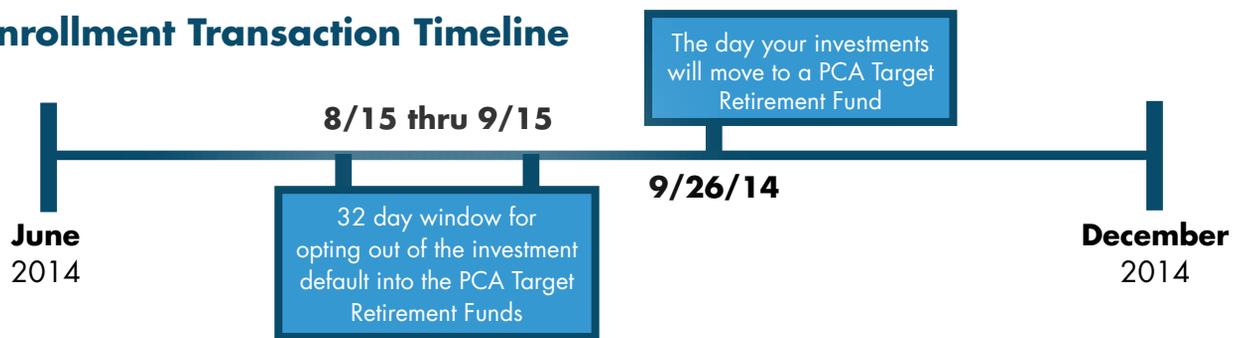
not want a change may opt-out of the Investment Refresh process by either 1) filling out a paper form or 2) completing an on-line form within your Retirement Access account. The opt-out period will extend for thirty two days beginning on August 15<sup>th</sup> and concluding on September 15<sup>th</sup>, 2014. More information on the process will be forthcoming in the second quarter Retirement Plan Review.

We are excited about the Investment Refresh process, and we believe it will allow us to be an investment lifeguard for most of you. We will help you stay above the water as we manage the investments within your retirement account. If this is something that appeals to you, no action

is required. We will automatically move you to the appropriate Target Retirement Fund that corresponds to your age. We strongly believe these funds are an optimal investment solution for the vast majority of participants and we think this event will materially improve the outcome of your retirement.

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### Re-enrollment Transaction Timeline



### SPECIAL REPORT — *Continued from cover*

However, we recognize that there are some more sophisticated investors who may not want their investment transferred. Those of you who want to keep your existing investments can do so. You will have period of thirty two days (i.e. August 15, 2014 through September 15, 2014) to opt out of this Investment Refresh process. Also keep in mind, you will always retain the ability to transfer out of the

PCA Target Retirement Funds once the assets have been moved. You are never locked into an investment option.

Within this publication we have several articles that will provide additional detail about the Investment Refresh process. We are excited about this opportunity to be of greater assistance to many of you and we welcome your questions and feedback.

*Retirement***PLAN REVIEW** is a quarterly publication of *PCA Retirement & Benefits, Inc.*

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