

# RETIREMENT PLAN REVIEW

PCA RETIREMENT & BENEFITS, INC.

2nd Quarter 2015

## CAUTION RATE INCREASE

Investors are cautious as the Fed **HINTS** at a future rate increase

**A**re you worried about the prospect for higher interest rates? If you are, you are one of a host of bond market bears who share your concern. In fact, on average, they've shared your concern for a very long time. If you trace the history of bearish sentiment in bonds, you can easily find research from very credible professional bond investors dating back to 2010 predicting the imminent rise in interest rates. I've had the "pleasure" of experiencing this phenomenon in living color. During the post Great Recession period (after the market crash of 2008-2009) I was a member of an investment board (not PCA related) where the Chief Investment Officer was convinced that rates would soon rise. He was a bond market bear. And during the course of my involvement with this board, he made a very convincing case for why interest rates would soon rise and bolstered his views using convincing research from other well regarded research firms. But, using the technique of 20/20 hindsight, we can now look back on this period and conclude that this and other bearish views about bonds were wrong.

I think we should at least conclude that forecasting long term interest rates is a very, very hard business. Nonetheless, endless articles and research continue to be written proclaiming certainty about the future direction of interest rates. But, let me ask you this question... Have you read an article in the past 5 years that attempts to estimate the amount of money that's been lost by those who have acted on this wrong research? I haven't!

The fact is, real money has been lost waiting for interest rates to go up. How is that possible? The first approach has been to invest in very short term investments like T-bills or money market funds. Yields on these investments net of expenses have frequently been negative and after inflation, the cost of holding such investments has been roughly -2.0% annually. The

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## Fed hints at a future rate increase *Continued from cover*

second approach is to invest in a short term bond portfolio. While this is better than investing in T-bills or money market funds, the returns are materially lower than a core bond portfolio. The final and most daring approach is to invest in certain options that go up in value if interest rates rise. Sadly, with this strategy, it's quite possible to lose all your money if interest rates don't go up!

What is RBI's Investment Committee doing, if anything, about the possibility of rising rates? First of all, during the last five years we listened carefully to our bond managers and didn't attempt to outguess the Federal Reserve regarding the direction of interest rates. This resulted in maintaining diversified fixed income positions across the PCA Target Retirement Funds in Core and International Bonds and Treasury Inflation

Protected Securities (TIPS). We do believe that interest rates will eventually rise, but any increase may not necessarily resemble historic trends from previous recoveries. So, after meeting with our Investment Consultant we recently moved our TIPS exposure to a more conservative position and added additional inflation protection. These changes are in line with our long-standing approach to be careful stewards of your assets and to always focus on strategies that optimize the relationship between risk and return. Yes, interest rates may go up, but substituting thoughtful, time-tested strategies with costly market-timing does not typically work.

Please call us if you have questions about the fund(s) you have in your retirement account. We are here to serve you!

— Gary Campbell, CFA, President

## Updated Online Retirement Plan Website

Those of you recently viewing your PCA retirement account online at [nwps401k.com](http://nwps401k.com) may have noticed a different look. Northwest Plan Services, our business partner, has upgraded their *Retirement Access* website by giving it a fresh new look as well as additional functionality. We are thrilled with this upgrade, and in particular, its mobile friendly design. Northwest Plan Services' aim was to make the website more user friendly and more secure. We think they have accomplished their goal.

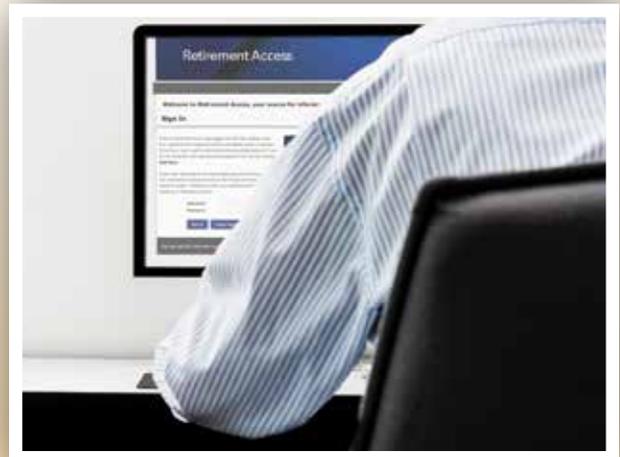
Good news - the website address has not changed, and you can still use your current username and password to access the site. However, you may be prompted to change your password if it doesn't meet the new security standard. All passwords going forward must be at least eight characters in length, but no longer than twenty characters. Additionally, your password must contain at least one of the following: an upper case letter, a lower case letter and a number.

If you have never registered or don't know your username or password, you can still enter the website by clicking

on the hyperlink ("[click here](#)") on the front page.

The link will take you to a new page where you will need to verify your identity by entering your: 1) social security number, 2) your date of birth and 3) your zip code. Once all of the prompted steps are complete, you will be able to re-enter the login page and enter your new username and password to access your account.

All new and former users will be prompted to provide a working e-mail address and also three security questions and answers. Some of you may be wary about providing this information, but we believe you will appreciate the new functionality provided. The e-mail address will allow us quickly to provide you with important information, like a forgotten username or password. The security questions help us verify that you are indeed the person requesting access to your account, and allow you to



access your account without speaking with a live representative. This is particularly helpful when you are trying to access your account during non-business hours.

While there is certainly more to mention, we would encourage you visit your retirement account online and check out the enhancements personally. If you have questions or an idea for improvement, please contact us 800-789-8765 or [retirement@pcanet.org](mailto:retirement@pcanet.org). We would enjoy hearing from you.

— Mark Meledez, Client Services Manager

# THE BEST KEPT SECRET IN THE PCA

EXPERTS! — RBI seeks to enlist uniquely qualified and properly trained professionals who are faithful to good stewardship and the long term success of your retirement plan.

Is it better to get professional advice and assistance, or to simply do something yourself? It's an age old question, and the best answer of course is that 'it depends.' Just to name a few things, it depends upon the expertise required, the difficulty of the task, the amount of potential savings involved, and/or the degree of pain or cost we might incur if we mess things up! In some areas of life, it pays to get professional advice or assistance because what we don't know can hurt us!

This is especially true of investing. Managing investments requires a certain depth of professional knowledge, training, skill, and experience that few possess. Therefore, when RBI is looking for an individual to serve on the Investment Committee of the RBI Board of Directors, we believe that enlisting only uniquely qualified and properly trained professionals is critical to the faithful stewardship and long term success of our retirement plan.

What does it mean to be properly trained? Well, certainly it includes degrees in finance, accounting, economics, etc... But in this area, to be deemed truly qualified, an individual must possess actual 'hands-on' experience managing money on an institutional level. It takes training and experience to know how to create a sound investment portfolio - to know what should go into it, and when. So, when selecting men to serve on the Investment Committee, we look for 'sausage makers' who understand how the sausage is made, and not those who simply know how to sell it.

This quarter, we would like to highlight the individuals who sacrificially labor to steward your PCA Retirement Plan assets with wisdom and compassion.



**Gary D. Campbell, CFA**, is the President of PCA Retirement & Benefits, Inc. (RBI), and is responsible for its overall management and service to the Presbyterian Church in



America. Gary served as President and Chief Investment Officer of Kennedy Capital Management, Inc., an institutional investment manager of Mid and Small Cap equity securities with \$3.6 billion under management at the time of his retirement (more than 7x the size of the current PCA Retirement Plan). He was also an Executive Vice President and Chief Investment Officer for the Commerce Trust Company in St. Louis, MO. Gary is a holder of the Chartered Financial Analyst designation and has a Bachelor of Arts in Finance from Florida Atlantic University in Boca Raton, FL.

**Glenn A. Fogle, CFA**, serves as an Advisory Director of the PCA RBI Board of Directors, and is also the President of Acceleration Asset Management in Overland Park, KS. Glenn is a graduate of TCU (BBA, MBA) and has had a long and distinguished career as an investment portfolio manager. He served as a Sr. Vice President and Sr. Portfolio Manager with American Century Investment Management, LLC for 20 years. There, he led teams managing several large, mid, and small cap growth funds, and was the lead portfolio manager of the Vista and Giftrust mutual funds. Glenn was recognized by Mutual Funds Magazine as "Best in Class" in 2002 and named

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INVESTMENT PERFORMANCE: Average Annual Return Through 6/30/15

CORE FUNDS	2nd Qtr 15	1 Yr.	3 Yr.	5 Yr.
PCA Large Cap Growth	-0.77%	8.45%	15.08%	15.85%
PCA Large Cap Value	1.33%	4.03%	18.11%	15.28%
S & P 500 Stock Index	0.20%	6.94%	16.74%	16.73%
PCA Mid Cap Growth	-0.56%	7.70%	18.16%	16.24%
PCA Mid Cap Value	-1.59%	1.10%	18.97%	17.01%
PCA Small Cap	-0.70%	1.47%	14.82%	N/A
International Stock	0.20%	-4.86%	6.44%	6.03%
PCA Diversified Bond	-1.75%	1.32%	1.82%	3.23%
Conservative Bond	0.24%	1.12%	1.06%	1.31%
Money Market	-0.06%	-0.38%	-0.40%	-0.43%

TARGET FUNDS	2nd Qtr 15	1 Yr.	3 Yr.	5 Yr.
PCA TR2060	N/A	N/A	N/A	N/A
PCA TR2055	-0.30%	0.57%	13.33%	12.40%
PCA TR2050	-0.30%	0.57%	13.33%	12.41%
PCA TR2045	-0.30%	0.57%	13.09%	12.30%
PCA TR2040	-0.29%	0.60%	12.60%	11.92%
PCA TR2035	-0.37%	0.63%	11.86%	11.42%
PCA TR2030	-0.47%	0.65%	10.89%	10.67%
PCA TR2025	-0.60%	0.57%	9.70%	9.69%
PCA TR2020	-0.59%	0.52%	8.28%	8.61%
PCA TR2015	-0.54%	0.37%	6.89%	7.55%
PCA TR2010	-0.57%	0.32%	5.49%	6.57%
PCA Harvester	-0.47%	0.18%	4.02%	5.28%



**Best Kept Secret** *Continued from page 3*

by Business Week as one of its "Best Fund Managers" in 2007. In 2009 American Century named him Chief Investment Officer, US Growth Equity – Mid and Small Cap, giving him responsibility for four teams and fourteen investment professionals managing over \$7 billion in assets.



**Paul A. Fullerton** serves as a Managing Director of Advisor Services at Charles Schwab, Boston. He is a consultant providing advice and recommendations to senior leaders of asset and wealth management firms worldwide.

Paul specializes in global investment management consulting, research, and analysis for individuals and institutional investors. He has also served with Astrop Advisory, Invesco, Cerulli Associates, McKinsey & Company, and as a Managing Principal of Founders Advisory. Paul majored in Finance and holds a Bachelor of Business Administration from Ohio University in Athens, OH.



**Bruce W. Jenkins**, has enjoyed a long career as an Actuarial Consultant, serving as a Principal – Consultant with Hewett Associates in San Francisco, CA, and as a Director & Consulting Actuary with Buck Consultants in Houston, TX. He majored in Finance and holds a Bachelor of Science in Business Administration from Drake University in Des Moines, Iowa. He is also a graduate of the American Academy of Actuaries and a retired member and Associate of the Society of Actuaries (ASA). Bruce currently serves as a Consultant with Excel Financial Group, LLC in Ft. Collins, CO.



**Randall L. Kirkland**, CFA, serves as an Advisory Director of the PCA RBI Board of Directors, and is also the President and CEO of Kennedy Capital Management, an institutional investment manager of Mid and Small Cap equity securities in St. Louis, MO. Randy holds an MBA degree and has also served as a Senior Consultant and a Managing Director of Asset Consulting Group where he provided analytical investment consulting expertise to pension funds, endowments, foundations, and other institutional clients.



**J. Kenneth (Ken) McCarty**, CPA, CGMA, is the Vice President and Chief Financial Officer of BBT Capital Management, LLC in Fort Worth, TX.

BBT Capital Management is an institutional and private investment manager of equity and multi-strategy hedge funds. Ken also served as the Director of Internal Audit for Bass Companies in Fort Worth, TX, another hedge fund sponsor. He is a graduate of the University of Texas at Arlington. Ken holds a BA and an MS in Professional Accounting, and is a Member of the American Institute of Certified Public Accountants.



**William L. (Sandy) Spitz**, CPA, is the Senior Director of Church Administration at Christ Covenant Church in Matthews, NC. Sandy also served as a Senior Vice President and Managing Executive of Financial Planning at First Union Bank, and as an Accountant and Partner with KPMG, LLP for 18 years. He brings the much needed perspective of a PCA Church Administrator to the RBI Board. Sandy majored in Finance and holds a Bachelor of Science degree from Clemson University in Clemson, SC.



**John E. Steiner**, CFA, serves as the Managing Director of AlaTrust, Inc., Montgomery, AL. John has 30 years of experience in banking, trust operations, and asset management. He worked as an Analyst, Portfolio Manager, Director of Research, Senior Equity Strategist and Mutual Fund Manager for Regions Bank. John has also served as the manager of the Montgomery office of Quintus Asset Management, Inc, and as a Portfolio Manager for brokerage and trust clients of Stern, Agee Asset Management, Inc. He holds a Bachelor of Science in Business Administration from Auburn University in Auburn, AL.

**These are the men who are serving as your fiduciaries. We have an incredible team! They are not only godly men who love the Lord, but also highly seasoned investment professionals. I believe that the depth of expertise, wisdom, and experience of the Investment Committee of the PCA RBI Board is arguably the best kept secret in the PCA! Well, hopefully not any more.**

— Dave Anderegg, *Financial Planning Advisor*

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