

RETIREMENT PLAN REVIEW

PCA RETIREMENT & BENEFITS, INC.

4th Quarter 2015

SOCIAL SECURITY is eliminating certain claiming strategies for couples – *Does this affect you?*

In the early morning hours of Friday, October 28, 2015, the U. S. Congress enacted a 'Budget Bill' (H.R. 1314) containing much more than just a budget agreement. The bill, signed into law by the President on November 2, 2015, also eliminated two lesser known but potentially profitable Social Security claiming strategies. These strategies were used by couples to increase their retirement income, often by thousands of dollars.

While many find the elimination of these optimization strategies disappointing, there are some couples who are unaffected by this Bill. Those already taking advantage of these strategies are 'grandfathered-in' under the old rules and their benefit will not change. For a select number of eligible couples, there remains a *brief window of opportunity*, but prompt action may be required. In order to determine if you are one of those eligible couples, I would like to describe these two optimization strategies and then discuss whether this brief window of opportunity applies to you.

Under Social Security Administration rules, *each spouse* may be eligible for two kinds of Social Security retirement benefits. The first is their own *retirement benefit*, which is

based on their career earnings, and the second benefit is a *spousal benefit*, which is based on the career earnings of their spouse (if married, divorced, or widowed). This spousal benefit is equal to 50% of your of spouse's retirement benefit at full retirement age (FRA). FRA is 66 for those born prior to 1955. Those who have never worked (or paid into the system) are eligible for the spousal benefit if their spouse has worked and paid into Social Security for 10 years or longer.

However, there are some rules that govern eligibility for spousal benefits. First, you can only claim a spousal benefit once your spouse has filed for their Social Security retirement benefits. Second, if you file before FRA, spousal benefits will be less than 50%. Third, spousal benefits are gender neutral. Either spouse may be able to file for them. And fourth, individuals filing for benefits at or after full retirement age are eligible for either 1) their own benefits (based on their lifetime career earnings), or 2) 50% of their *spouses benefit - whichever is greater!*

Restricted Application Strategy:

This strategy involves applying for Social Security benefits between ages 66 and 70, but instead of claiming your retirement benefit based on your earnings record, you restrict your claim to receive only your spousal benefit. The strategy permits you to receive a spousal benefit for limited time while simultaneously increasing your own Social Security retirement benefit by 8% a year. Then, at age 70, you can 'switch-over' to your increased Social Security retirement benefit and begin receiving a larger check for life!



While many find the elimination of these optimization strategies disappointing, there are some couples who are unaffected by this Bill.

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PCA SMALL CAP FUND

Monarch Partners' investment philosophy is based on value discipline, focused internal research, and risk aversion.



and was founded in January 2010 by Wayne Archambo, both the founder and the portfolio manager of the Small Cap strategy. Wayne has a proven 20 year track record in small and mid-cap value investment management and was recently voted 2014 Small to Mid Cap Emerging Manager of the Year by *Findaily*. Geneva Capital Management, Ltd., our other small cap manager who manages the growth strategy, will continue in its joint management within the fund.

Small Cap Value Manager Changes

At our November 30th Board Meeting, the Board of Directors of PCA Retirement & Benefits, Inc. ('RBI') voted to replace GW Capital, Inc., one of two investment management firms within one of our Core Funds (i.e. PCA Small Cap Fund), and also part of an underlying investment (i.e. PCA Small Cap Fund) within the Target Retirement Funds. The termination of GW Capital, Inc. as a manager was due to poor execution in its fundamental strategy. With the help of our investment consultant, Callan Associates, RBI selected Monarch Partners Assets Management, LLC ('Monarch Partners') as our new small cap value manager.

Monarch Partners is located in Boston, Massachusetts

On Tuesday, December 8, 2015, Monarch Partners took over the investment management and began to execute trades within the value strategy of the PCA Small Cap Fund. This information is being provided to you to make you aware of the investment option change within the PCA Retirement Plan. If you are an investor in one of our Target Retirement Funds or invest directly in the PCA Small Cap Fund, no action was required of you. Your investments within the PCA Retirement Plan remain the same. The only change was with one of the investment managers within the fund.

More information about our newest manager

Monarch Partners' investment philosophy is based on value discipline, focused internal research, and risk aversion. The team seeks to identify undervalued companies that possess catalysts that will enhance shareholder value, while avoiding value traps. The majority of the investment process is fundamental investment research where the team looks for securities that trade at a discount to the market, sector, respective peer group, or relative to their own history. Monarch also seeks to buy stocks with sound business fundamentals, a strong competitive position, and strong management teams with a track record of success. The final criteria is finding securities that have identifiable catalysts in place today, or that will be in place in six to twelve months.

— Mark Melendez, *Client Services Manager*

If you're looking for all the PCA Retirement funds. Please visit pcarbi.org/target-funds and/or pcarbi.org/core-funds

SMALL CAP CHANGES

FORMER Investment Managers	CURRENT (NEW) Investment Managers
GW Capital, Inc. (Value)	Monarch Partners Asset Management, LLC. (Value)
Geneva Capital Management, Ltd. (Growth)	Geneva Capital Management, Ltd. (Growth)

FUND PROFILE: PCA SMALL CAP

Benchmark:	Russell 2000 Value
Strategy Assets (Millions):	\$169
Holdings Range:	50 - 90
Investment Style:	Fundamental Research (99% Bottom Up)

SOCIAL SECURITY Retirement Planning Changes — Continued on page 3

File and Suspend Strategy:

This strategy is another FRA strategy. It involves filing for Social Security retirement benefits and then immediately suspending that request. Filing enables your spouse to apply for and receive Social Security spousal benefits. Suspending enables you to continue to delay your benefits until age 70. The strategy provides some level of Social Security income while delaying.

Additionally, if your spouse is projected to receive more than 50% of your FRA benefits at age 70, then your spouse can file a 'Restricted Application' for only spousal benefits and delay their work record benefits until age 70 as well. Delaying benefits may really pay off! If you delay, your benefits grow by 8% a year until age 70. Then, you can 'switch-over' at age 70 to your increased Social Security retirement benefits and begin receiving a larger checks for life.

These two strategies are still available to a few qualifying couples for a short period of time. Though

these strategies may not make sense for every couple, if you and your spouse have not already filed and you will both reach the age of 66 years old (or older) before April 30, 2016, then you may still take advantage of the File & Suspend strategy. Moreover, if either spouse reached the age of 62 or older in 2015, then that spouse who is age 62 or older retains the right to file a

Restricted Application. Needless to say, this is a little complicated. But it is an optimizing strategy worth thousands of dollars! So, if you qualify or wonder whether you might qualify for either of these windows of opportunity, give us a call to see whether taking advantage of one of these optimization strategies makes sense for you!

— Dave Anderegg, Financial Planning Advisor

Couple's Social Security Filing Strategy SUMMARY

Description of Strategy

Requirements and Deadline to act

File and Suspend	Restricted Application
An individual of Full Retirement Age or later can file for their Social Security benefit and immediately suspends those benefits. This allows the individual's spouse to file for their spousal benefits , and, all the while, the individual is permitted to continue accumulating retirement credits.	An individual of Full Retirement Age (who has not previously filed for benefits) may file for <i>restricted benefits</i> , which in this case is spousal benefits. To file a restricted application the individual's spouse must file for benefits .
If you will reach age 66 on or before April 30, 2016 and suspend benefits before April 30, 2016, your suspension will allow your spouse to collect spousal benefits while your own work record continues to accumulate credits.	If you are age 62 or older as of 2015 , you have a grandfathered right to file a restricted application at Full Social Security Retirement Age.

PCARBI INVESTMENT PERFORMANCE:

Average Annual Return Through 12/31/15

CORE FUNDS

	4th Qtr 15	1 Year	3 Year	5 Year
PCA Large Cap Growth	5.56%	1.61%	14.30%	10.97%
PCA Large Cap Value	4.53%	-5.39%	13.20%	10.04%
S & P 500 Stock Index	6.92%	0.93%	14.58%	11.99%
PCA Mid Cap Growth	2.91%	1.07%	13.62%	11.02%
PCA Mid Cap Value	3.14%	-6.74%	12.31%	9.70%
PCA Small Cap	2.05%	-1.21%	9.45%	N/A
International Stock	2.80%	-3.09%	-0.16%	0.04%
PCA Diversified Bond	-0.79%	0.04%	1.10%	3.04%
Conservative Bond	-0.87%	0.06%	0.42%	0.93%
Money Market	-0.08%	-0.34%	-0.40%	-0.42%

TARGET FUNDS

Average Annual Return Through 12/31/15

	4th Qtr 15	1 Year	3 Year	5 Year
PCA TR2060	3.05%	N/A	N/A	N/A
PCA TR2055	3.06%	-3.60%	8.05%	6.64%
PCA TR2050	3.06%	-3.60%	8.05%	6.64%
PCA TR2045	3.06%	-3.59%	7.84%	6.53%
PCA TR2040	3.05%	-3.54%	7.45%	6.35%
PCA TR2035	2.87%	-3.69%	6.85%	6.05%
PCA TR2030	2.62%	-3.56%	6.22%	5.75%
PCA TR2025	2.20%	-3.15%	5.49%	5.37%
PCA TR2020	1.65%	-2.78%	4.58%	4.93%
PCA TR2015	1.31%	-2.21%	3.76%	4.56%
PCA TR2010	0.89%	-1.58%	2.91%	4.16%
PCA Harvester	0.59%	-1.15%	1.89%	3.61%

Note: Investment returns shown are net of investment manager, custodial and administrative fees. The above returns are unaudited.



An interview with the Gary Campbell, president PCA RBI

A look back... and forward to 2016



Ruling Elder Gary Campbell has been serving our denomination as RBI's President for almost a decade now. With over 30 years in the financial industry and prestigious credentials, such as the Chartered Financial Analyst (CFA), we thought it would be useful for our ministry partners to hear his thoughts on the current climate in the market, 2016, interest rates and more.

Staff: Gary, thanks for taking the time to answer a few questions for our partners. Let's begin with 2015. Late August and September saw some of the worst performance in years. Is this a sign of more bad returns to come?

Gary: Obviously when we have the kind of weak performance we had in the third quarter of 2015 everyone gets concerned about their retirement assets. When the markets dropped over 1000 points on Monday, August 24th, I called our entire senior staff team into my office and said, "This is not the start of the next recession. It is simply a normal correction."

Staff: What's the difference between a correction and a bear market?

Gary: In simple terms, a correction in the stock market is a short-term downturn of approximately 10%. A bear market is a downturn of more than 20%. Corrections are simply a reflection of investor worries about the sustainability of a bull market. It's important to understand that sustainable bull markets are built on what is called a "Wall of Worry." Healthy worry with respect to investing constrains investor enthusiasm (a willingness to take on unjustified risk) and maintains a climate of conservative investment disciplines.

Staff: Perhaps the biggest issues effecting the markets in 2015 were global events. Specifically, the slowing of growth in China. What concern should our partners have about this correction?

Gary: While China is a rather large economy, it isn't what is known as a developed market. Therefore, investment exposures among our international portfolio fund managers will typically be rather low. This is in fact the case with international assets

managed in the PCA Retirement Plan. While significant direct investments in China may not be impactful at this time, our managers are far more concerned about the "contagion impact" on China's trading partners. Contagion is a word that simply means if China catches a cold, its trading partners will feel the impact. This contagion impact has chiefly impacted the emerging stock portfolios, which are a part of our overall international stock exposure. We remain convinced that we should remain invested in international emerging markets given their long term ability to deliver favorable returns.

Staff: You mentioned "our fund managers" just now, what does that mean?

Gary: The staff of RBI has the privilege to serve somewhat like a Human Resources Division within our denomination. They ensure that those who use our denominational benefits, from life insurance and disability insurance to the denominations retirement plan, have the administrative help they need. In addition, we provide financial assistance to pastors, their widows, and disabled pastors through our relief fund. RBI employs a great group of people and I love leading them and serving alongside them. This is a very big job and thankfully the detailed management of these various services falls on the shoulders of professionals hired to provide quality services and products to those employed in the PCA. For instance, our staff and board have the responsibility to select investment managers to actively manage different areas of our retirement plan. For example, in 2015 we noticed that one of our small cap fund managers was not meeting our expectations. Last fall we replaced them with a firm in Boston called Monarch Partners. Of the nearly \$500 million of assets in our denominational retirement account, Monarch is responsible for about \$18 million.

Staff: That makes sense. You used the phrase "actively manage." What is active management?

Gary: An actively managed account is one where the fund manager applies various valuation techniques to investment opportunities and utilizes these techniques to systematically build a diversified portfolio. The purpose

of this approach is to provide long term growth for the investor and to outperform a selected benchmark. A passively managed fund mirrors the performance of a chosen benchmark either through direct replication or a quantitative approach. The goal is not to outperform the index but to match it gross of fees. As you would expect, actively managed funds have higher fees than passively managed accounts. At RBI we seek to have a mix between passively and actively managed funds. This approach recognizes that active management is most appropriate in markets that are less efficient.

Staff: Let me change gears a bit and get your thoughts on the present state of the economy. Where do you see positive signs and where do you see reason for concern? What do you see in the coming year?

Gary: Sure, and I will try to do that in just a few words. The US economy continues to grow a little stronger with each year following the Great Recessions (2008/2009). Keep in mind that within the larger context, this recovery has been painfully slow... unlike most recoveries we have seen in the modern era. Only in the past 18 months have we seen the housing market participate in the recovery in a meaningful way. That said, despite the concerns over a slowdown in China, the modest increase in interest rates here in the US, and the rise of global terrorism, I believe this economic recovery will continue. Much more can be said about this, and if you are interested, please refer to an upcoming piece I will be writing for RBI's annual report.

Staff: Unfortunately, that is all the time we have. Do you have any final words for our ministry partners?

Gary: I love serving our church in this role. When I came to RBI almost ten years ago I wanted to further develop the idea that RBI is a ministry. It has been a joy to see this mindset grow. The staff of RBI has a heart to serve and the knowledge to do it effectively. We are committed to seeing the ministry of RBI expand even more through things like the ServantCare counseling service. Thank you for giving me the opportunity to do the work of the kingdom through RBI.

— Ed Dunnington, *Financial Planning Advisor*

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