

Bloomberg

Pimco's McCulley to Leave Investing for Think Tank

By Sree Vidya Bhaktavatsalam - Dec 3, 2010

Pacific Investment Management Co.'s [Paul McCulley](#), a member of the firm's committee of senior investment managers, will retire after 27 years in financial services to join a think tank.

[McCulley](#) will leave at year-end and take time off before becoming a public speaker, researcher and writer at the [Global Interdependence Center](#), according to a letter sent to clients yesterday by Co-Chief Investment Officers [Bill Gross](#) and [Mohamed El-Erian](#), a copy of which was obtained by Bloomberg News. The nonprofit, Philadelphia-based center says its aim is to expand "global dialogue" and free trade.

Best known for his analysis and monthly commentaries on central banks and monetary policy, McCulley, 53, last month defended Federal Reserve Chairman [Ben S. Bernanke](#)'s decision to try to stimulate the U.S. economy by buying debt in a strategy known as quantitative easing. McCulley is part of the 10-member committee that sets the Newport Beach, California-based firm's investment strategy, and leads Pimco's short-term bond desk.

McCulley "has contributed to the formulation of the firm's economic outlook and portfolio positioning, which has helped Pimco safeguard and enhance our clients' investment and retirement assets," Gross and El-Erian wrote in the letter.

Pimco's investment outlook has been guided since last year by a philosophy the firm dubbed the "new normal." The view holds that investors should expect below-average market returns along with heightened regulation, rising unemployment and a shrinking role for the United States in the world economy.

'Stalled' Trajectory

McCulley, who leads quarterly investment forums for Pimco's professional staff, said in October that the "bottom line for the U.S. is a trajectory so slow you'd nearly call it stalled," as political and regulatory uncertainty has curbed hiring at companies and the housing market struggles. Employers added fewer jobs than forecast in November and the unemployment rate rose to 9.8 percent, the Labor Department said today.

He is known for a whimsical style that includes imaginary question-and-answer sessions on Federal Reserve policy with his family pet rabbit Morgan le Fay, after whom he named his personal foundation. Last month, McCulley ended his commentary on Bernanke's stimulus plan with a mock-Latin aphorism of encouragement, "Bravo Ben: Illegitimi non carborundum," or, "Don't let the bastards grind you down."

Pimco, which oversees about \$1.2 trillion in assets, is a unit of Munich-based insurer [Allianz SE](#). It manages the world's largest mutual fund, Gross's \$250 billion Pimco Total Bond Fund. Started as a bond firm in 1971, Pimco last year began an expansion into global equities.

Short-Term Focus

McCulley joined Pimco in 1990 as an account manager. He left two years later for UBS Warburg, a unit of Zurich's UBS AG, where he served as chief economist for the Americas. He returned to Pimco in 1999 as a portfolio manager.

McCulley oversees funds that invest in bonds with short durations, including the \$11.6 billion [Pimco Short-Term Fund](#) and the \$517 million [Pimco Money Market Fund](#). He also manages the Pimco Government Money Market and was slated to manage the Pimco Treasury Money Market, which the firm plans to open next year.

His responsibilities will be moved to other investment professionals, who weren't named in the letter. In a filing with the U.S. Securities and Exchange Commission today, Pimco said [Jerome Schneider](#), an executive vice president at Pimco, will take over the Short-Term and Money Market funds as well as Pimco Government Money Market and Pimco Treasury Money Market. Schneider joined Pimco in 2008 from Bear Stearns Cos., where he had worked since 1995. He is the deputy head of the firm's money-market and funding desk.

McCulley didn't return a request for comment. [Mark Porterfield](#), a spokesman for Pimco, declined to comment.

\$1 Million Grant

The Global Interdependence Center said yesterday that McCulley made a \$1 million grant from his personal foundation, Morgan Le Fay Dreams Foundation, to establish the Global Society of Fellows, which will gather economists and policy makers from around the world to help address economic issues. McCulley will head the Global Society of Fellows, the nonprofit center said.

In the late 1990s, McCulley was named several times as a member of the Institutional Investor All-America Fixed Income Research Team. He has an undergraduate degree from Grinnell College in Iowa and a master's of business administration from Columbia University in New York.

To contact the reporter on this story: [Sree Vidya Bhaktavatsalam](#) in Boston at sbhaktavatsa@bloomberg.net.

To contact the editor responsible for this story: Christian Baumgaertel at cbaumgaertel@bloomberg.net.