

PIMCO Quarterly Pension Review

January 2026

IMPORTANT NOTICE

Please note that the following contains the opinions of the manager as of the date noted, and may not have been updated to reflect real time market developments. All opinions are subject to change without notice.

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What happened and **what it means for pension plans**

The Quarterly Pension Review provides a concise summary of recent market developments and their impact on pension plans. It is intended for both investment practitioners and those from other disciplines who are in plan governance roles. More than a market recap, we dissect data and share objective insights that will aid you in decision-making.

Table of contents

- 4 Macroeconomic Backdrop
- 5 Pension Landscape
- 6 Investment Performance
- 8 Credit Markets Update

- 10 Special Topic
- 11 Recent Thought Leadership

Macroeconomic Backdrop: Dimensions of Divergence

The Trump administration's sweeping tax, trade, and immigration policy overhauls – including quadrupling the effective U.S. tariff rate – were widely expected to stifle global growth, trade and investment. In response, various DM and EM governments announced preemptive yet targeted fiscal measures to buffer the economic transitions, while central banks focused on downside risks.

Economic growth remains surprisingly resilient

The global economy has weathered tariff pressures, aided by AI-related spending and efficiency gains.

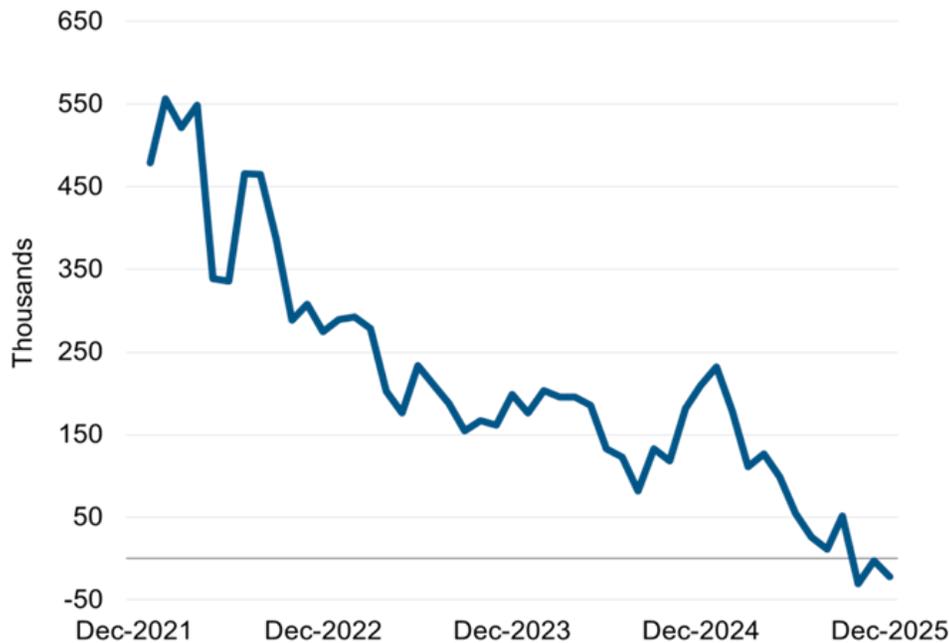
Winners and losers drive “K-shaped” economic trends

Companies deploying AI and wealthier households are benefitting. Others are at risk of being left behind.

Globally, monetary and fiscal policies are diverging

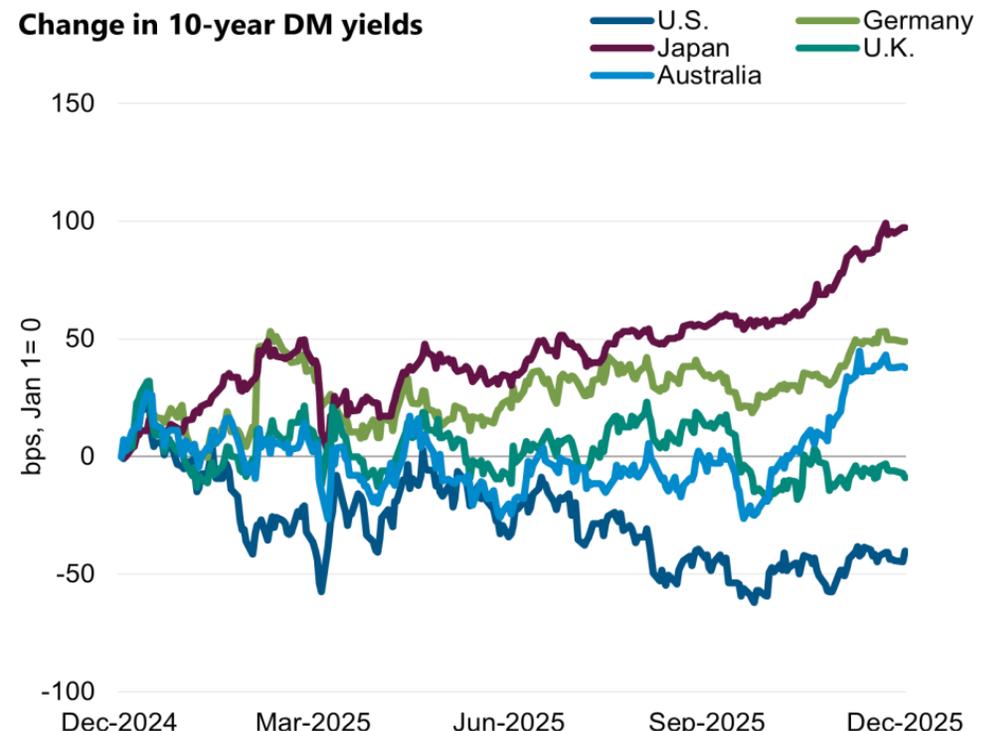
Fiscal policy is set to become more influential as monetary easing nears its limits and trade pressures persist.

U.S. monthly payroll change (3-month moving average)



Downside risks to the U.S. labor market have been a key consideration for the Fed's pace of monetary easing. Recent data prints have been somewhat noisy, given seasonal trends and delayed releases. Smoothed numbers indicate that the labor market is broadly stable, despite bearing the brunt of U.S. policy shocks.

Change in 10-year DM yields

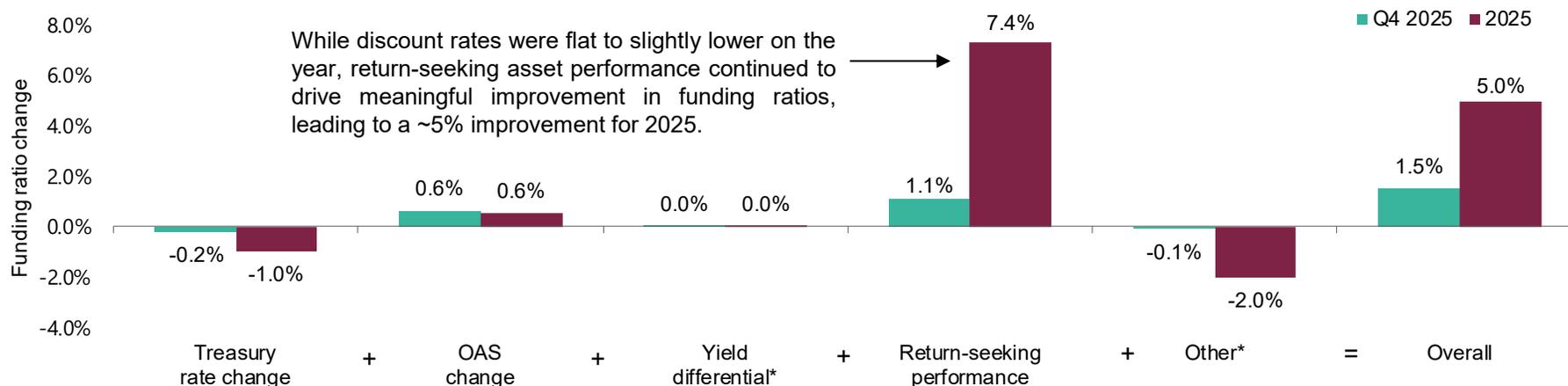


Global bonds diverged over the quarter. The U.S. yield curve steepened, as Fed cuts supported front-end rates. U.K. yields notably outperformed, following a favorable budget announcement. In Japan, yields sold off as the new administration's recent fiscal package added to existing concerns over debt levels.

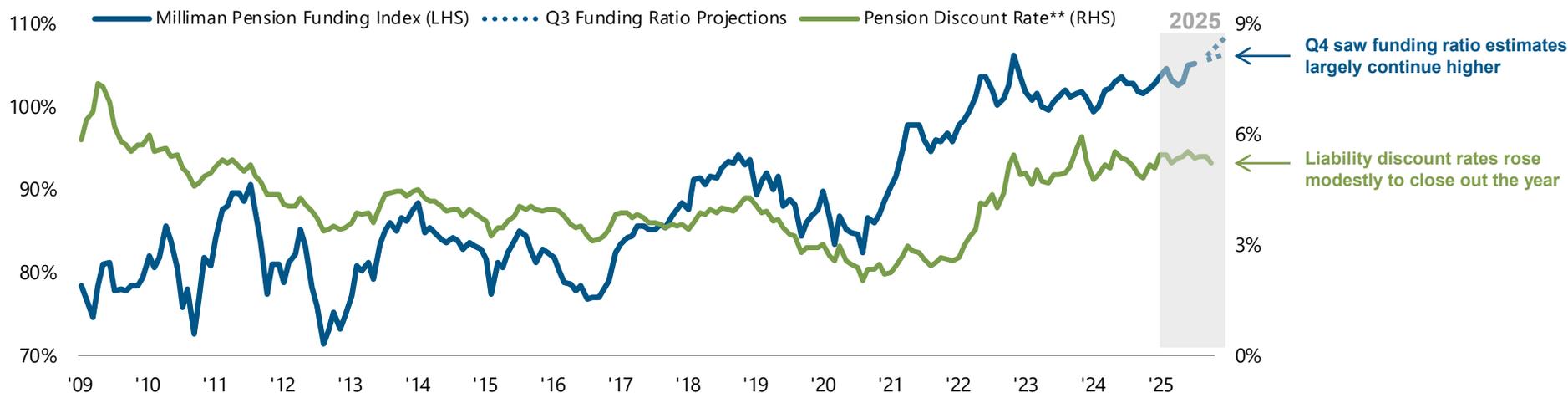
As of 31 December 2025. Source: Bloomberg, Haver, and PIMCO calculations.

Q4 sees funding ratios continue higher as return-seeking assets finish strong

Q4 '25 Funding Ratio Attribution (hypothetical pension plan with 1.5% funding ratio increase)



Pension Funding Ratio and Discount Rate



As of 31 December 2025. Source: Bloomberg, Milliman, FTSE, PIMCO.

* Yield differential refers to the yield of the fixed income portfolio compared to pension liabilities. Other refers to the residual of PIMCO's internal attribution model for estimating the change in the hypothetical pension plan's funded status.

** Represented by the FTSE Pension Liability Index short discount rate

Refer to Appendix for additional investment strategy and risk information.

Asset class returns through a pension lens

Liability-hedging assets

- Amid moderating inflation and mixed growth signals, the Fed cut rates by 50 bps and the BoE by 25 bps. The U.S. Treasury yield curve steepened, as short-end yields fell on weaker labor data and dovish Fed guidance, while long-end yields edged higher on continued fiscal and Fed independence concerns.
- Credit spreads widened over the quarter as the asset class was affected by elevated supply and rate volatility, although broadly offset by resilient fundamentals and strong demand.

Q4 2025					
	Total Return	YTM	OAS Level (bp)	OAS Change (bp)	YTD Total Return
BBG Barclays Aggregate	1.1%	4.32%	27	-1	7.3%
Intermediate Credit	1.3%	4.36%	63	3	7.9%
Long Credit	0.0%	5.64%	95	4	7.8%
Long Corporate	-0.1%	5.64%	94	4	7.4%
Long Govt/Credit	0.0%	5.19%	45	1	6.6%
Long Treasury	0.0%	4.79%	-	-	5.6%
20+ STRIPS	-2.0%	5.02%	-	-	0.9%

Return-seeking assets

- Risk asset performance was positive in Q4'25. DM equities surged in the fourth quarter of 2025, extending the momentum from Q3 as enthusiasm around artificial intelligence and technology persisted. EM equities rose in the fourth quarter of 2025, supported by attractive valuations that drew foreign inflows.
- The EM asset class continues to show resilience amid global tariff pressures, underpinned by healthy growth, disciplined fiscal policy, and broad-based monetary easing.
- Global high yield bond spreads widened over the quarter. During the quarter, the highest quality segment of the high yield market outperformed.

Q4 2025			
	Total Return	Index Level	YTD Total Return
S&P 500	2.7%	6,846	17.9%
Russell 2000	2.2%	2,482	12.8%
MSCI World	3.2%	4,430	21.6%
MSCI ACWI	3.4%	1015	22.9%
MSCI EM	4.8%	1,404	34.3%
EM External	3.0%	-	13.5%
EM Local	3.3%	-	19.3%
High Yield	1.3%	-	8.6%

As of 31 December 2025

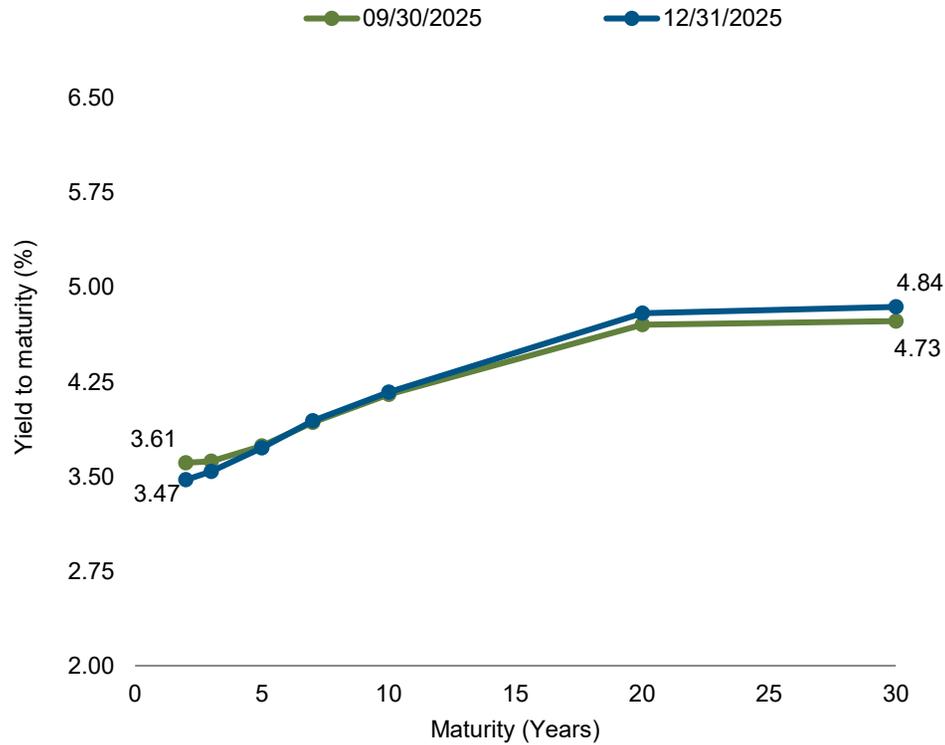
Source: Bloomberg, Barclays

Past performance is not a guarantee or a reliable indicator of future results. See the Appendix for the indices used as the proxy for each asset class

Refer to Appendix for additional index, index proxies, OAS, outlook and risk information.

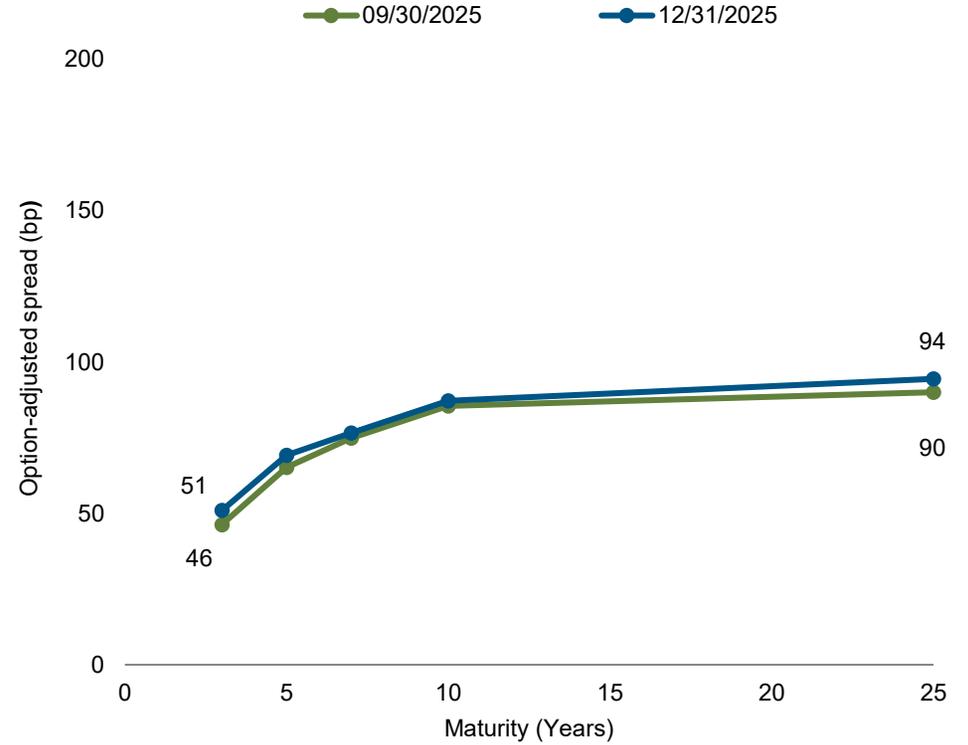
Yield curve and credit curve snapshot

U.S. Treasury Curve



The U.S. treasury yield curve steepened over the quarter.

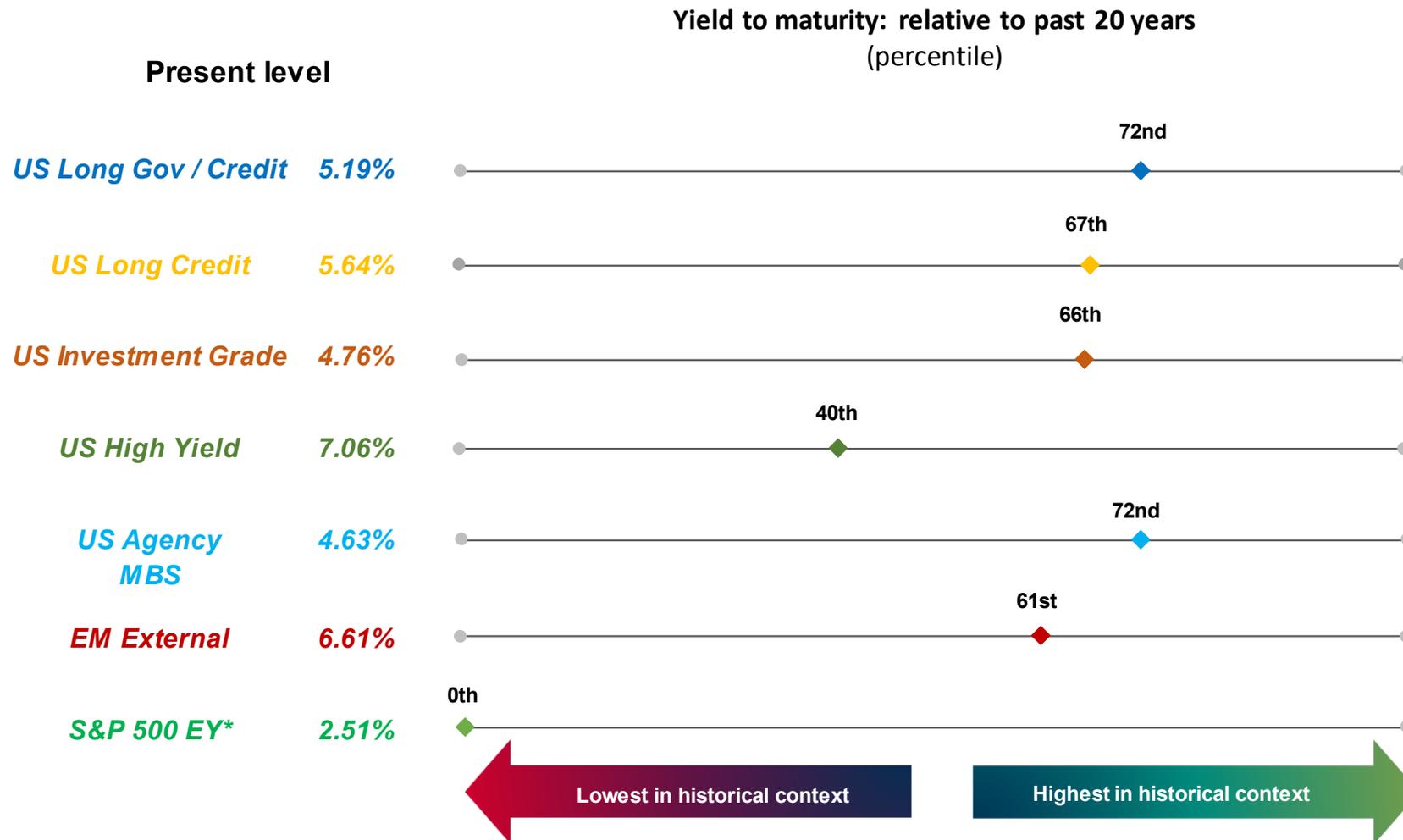
Bloomberg U.S. Corporate OAS



Credit spreads widened across the curve during the quarter.

As of 31 December 2025. Source: Barclays, Bloomberg
Refer to Appendix for additional index, OAS, and risk information.

Credit markets update: putting yields in context



As of 31 December 2025. SOURCE: PIMCO, Bloomberg

Yields using data over last 20 years or relative to the period from index inception to as of date. US Long Gov/Credit= BBG U.S. Long Government / Credit Index, US Long Credit = BBG U.S. Long Credit Index, US IG = BBG U.S. Credit Aggregate Credit Index, US HY = BBG U.S. Corporate High Yield Index, Agency MBS=BBG U.S. Mortgage-Backed Securities Index, EM External = JPM EM Bond Index Global Yield.

*The S&P 500 EY is 10y Cyclically Adjusted Earnings Yield (1/CAPE).

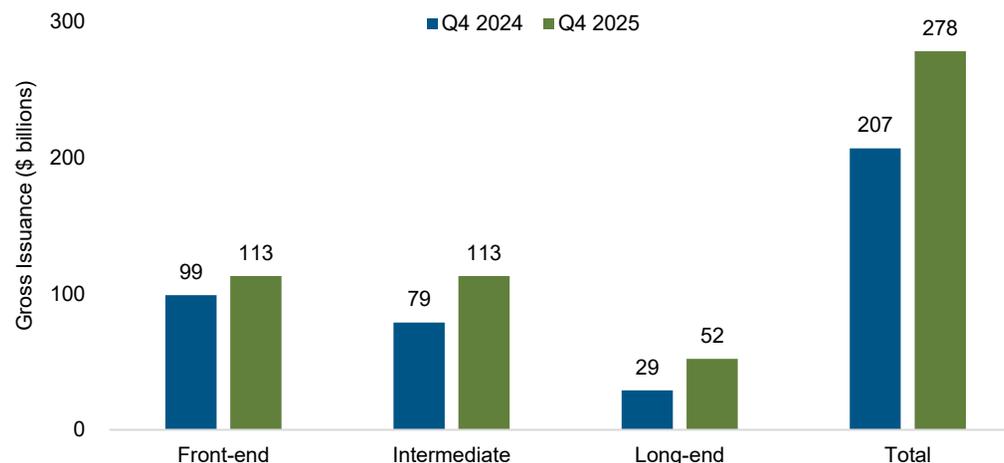
Refer to appendix for additional index, investment strategy, OAS, and risk information.

Credit markets update

Investment Grade

- U.S. investment grade credit spreads widened by 3 bps, ending the quarter at 73 bps. The sector returned 0.88%, underperforming like-duration treasuries by 0.02%.
- Credit spreads widened over the quarter as the asset class was affected by elevated supply and rate volatility, although broadly offset by resilient fundamentals and strong demand.
- Investment grade corporate gross issuance totaled \$278 billion in Q4 2025, lower than gross issuance in Q3 2025.

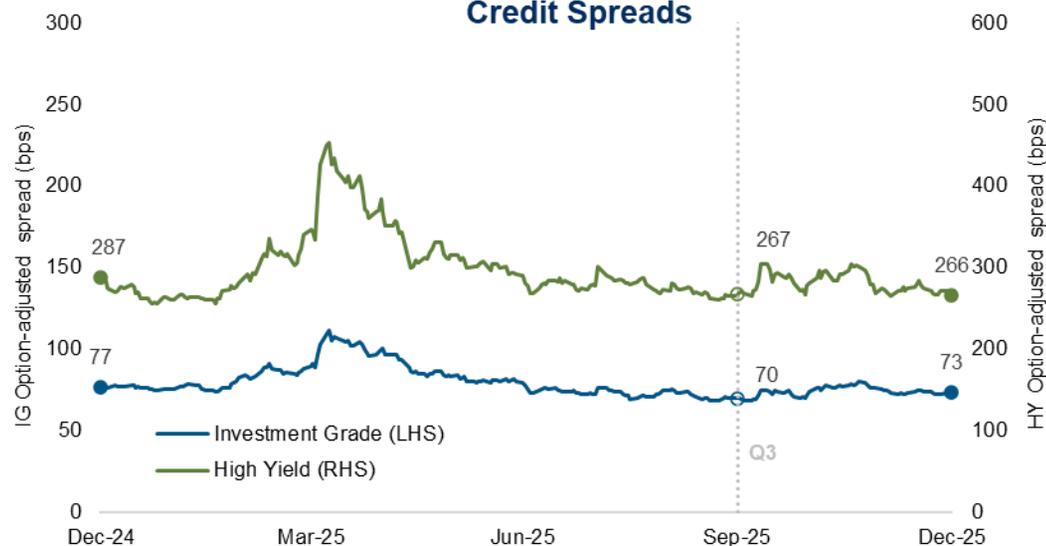
Investment Grade Corporate Issuance



High Yield

- U.S. high yield credit returned 1.3% driven by solid technicals, resilient fundamentals, and ongoing Fed rate cuts, despite dispersion from idiosyncratic credit stories and varying exposure to tariffs in the lower-rated cohort of the market. High yield credit spreads tightened by 1 basis points during the fourth quarter of 2025, ending at 266 basis points.
- In Q4'25, the highest quality segment of the high yield market outperformed as the BB-rated and B-rated segments saw a total return of 1.50% and 1.44%, respectively, while the CCC-rated segment saw a total return of -0.71%.

Credit Spreads



As of 31 December 2025. Source: Barclays

Front-end = 1-5 year, Intermediate = 6-12 year, Long-end = 13+ year

Investment Grade spreads represented by Bloomberg U.S. Investment Grade Credit Index. High yield spreads represented by Bloomberg U.S. Corporate High Yield Index.

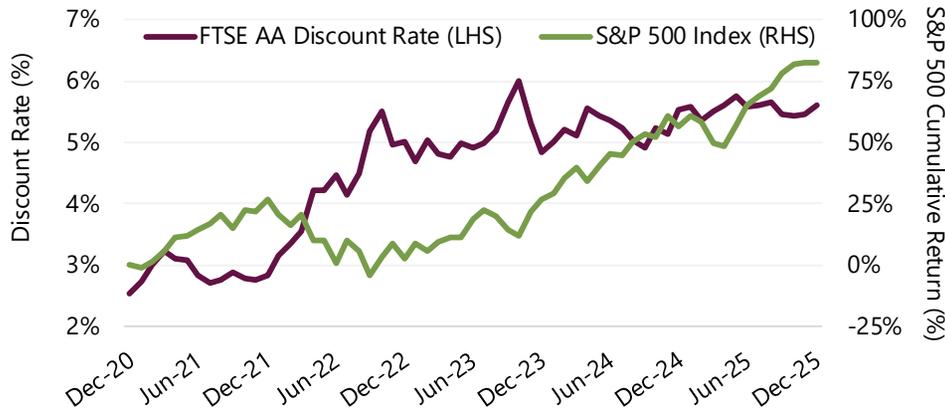
Refer to the Appendix for additional credit quality, index, OAS, outlook and risk information.

Re-thinking the pension: the current surplus environment

From burden to benefit

Many defined benefit plans are now well-funded due to:

- Rising interest rates, which have reduced liability valuations
- Strong asset performance over the past decade



Contribution Flexibility

Surplus can reduce or eliminate near-term employer contributions

Transaction Advantage

Overfunded plans can serve as an asset in M&A

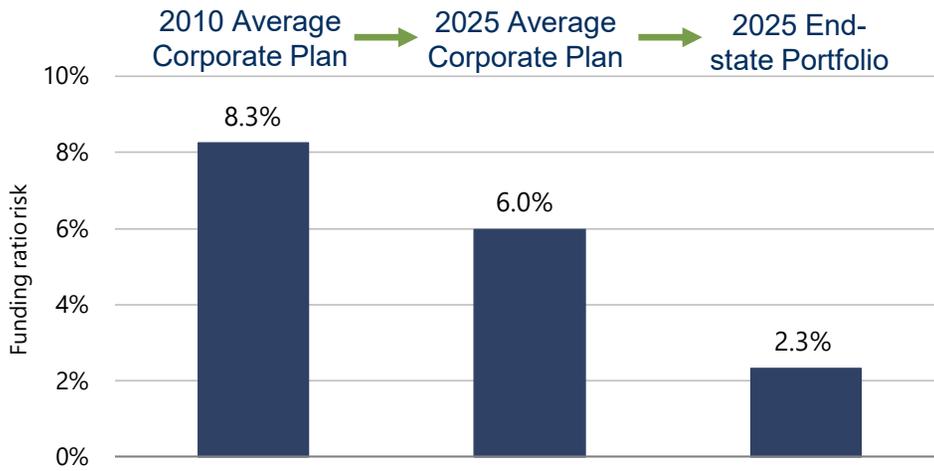
Optionality in Surplus Management

Excess assets can be used strategically

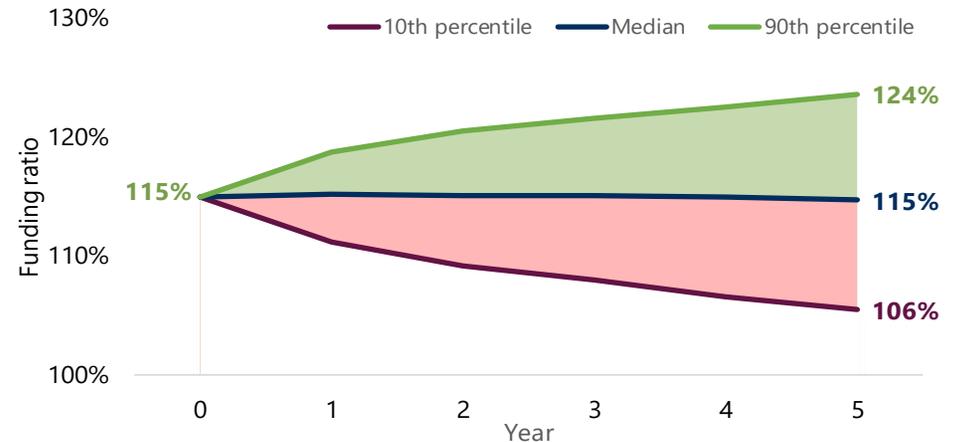
Managing Risk from a Place of Confidence

De-risked plans have more optionality in an annuity buyout

Plans have de-risked, but potential remains for more



Well-designed LDI programs continue to help plans yield more favorable and stable funded statuses, maintaining upside benefits while providing better control on the downside



As of 31 December 2025. SOURCE: PIMCO, Milliman & Bloomberg.

Thought Leadership

Retirement	Economy and Outlook	Markets and Investments
<p>PIMCO Retirement Resources- Plan Sponsor Guide PIMCO January 2026</p>	<p>PIMCO Cyclical Outlook Tiffany Wilding, Andrew Balls January 2026</p>	<p>Total Return Fund Update: Mohit Mittal Explores Why Core Bonds Are Compelling Investments Today Mohit Mittal December 2025</p>
<p>Evaluating In-Plan Retirement Income Strategies Cerulli Associates, PIMCO October 2025</p>	<p>Real Estate Views of 2026: Navigating Structural Uncertainty with Discipline John Murray, Kirill Zavodov, Russell Gannaway, Francois Trausch January 2026</p>	<p>Calculating the Active Advantage in Fixed Income Marc Seidner, Mohit Mittal December 2025</p>
<p>Private Credit in DC - PIF Core PIMCO October 2025</p>	<p>Moving From Cuts to Caution: Fed Enters 2026 in Wait-and-See Mode Tiffany Wilding, Allison Boxer December 2025</p>	<p>Seeking Income, Navigating Change Joshua Anderson November 2025</p>
<p>2025 PIMCO US Defined Contribution Consulting Study PIMCO June 2025</p>	<p>Technology-Related Surge Helps Offset Tarriff-Driven Drain in Global Industrial Production Tiffany Wilding December 2025</p>	<p>Income Fund Update: Focused on Optimizing Income amid and Evolving Rate Market Dan Ivascyn, Esteban Burbano November 2025</p>
	<p>How Tariffs and Technology Reshaped the U.S. Economy in 2025- and What Comes Next Tiffany Wilding December 2025</p>	<p>Financing the Everyday: Inside Asset Based Investing Dan Ivascyn, Kristofer Kraus, Harin de Silva October 2025</p>
	<p>Charting the Year Ahead: Investment Ideas for 2026 Marc Seidner December 2025</p>	<p>An Active Manager's Lens Into Private Investment Grade Credit Mohit Mittal, Benjamin Ensminger-Law, Bryan Tsu, Jason Mandinach September 2025</p>

Refer to Appendix for additional investment strategy and risk information.

Resources

Webinars and Podcasts

[PIMCO Income Fund Update - Webcast](#)
Dan Ivascyn, Esteban Burbano | January 2026

[Cyclical Outlook Webcast](#)
Tiffany Wilding, Andrew Balls | January 2026

[Total Return: Actively Positioned](#)
Mohit Mittal December 2025

[Charting the Year Ahead with Marc Seidner](#)
Gregory Hall, Marc Seidner | December 2025

[The Steadfast Strength of Bonds in Uncertain Times](#)
Dan Ivascyn, Esteban Burbano | November 2025

The PIMCO Pod - can be listened to on the following platforms - [Spotify](#) | [Apple](#)

Market and Industry Insights

View our Client Solutions & Analytics team's [market dashboard](#).

Washington Outlook: *For regular insights on U.S. policy via email, please sign up [here](#) to receive Washington Watch from Libby Cantrill, Head of Public Policy.*

Macro Signposts: *For weekly insights on the global macro landscape, sign up [here](#) to receive Macro Signposts from Tiffany Wilding, Economist.*

Tools

PIMCO Pro: Digital Engagement Platform: Login today or [register](#) as a new user to utilize our dynamic, self-service features for your PIMCO investments.

PIMCO's OPTI Tool: Explaining the "Three T's" or Private Assets. [Watch Now](#)

Refer to Appendix for additional investment strategy and risk information.

Appendix

PERFORMANCE

Past performance is not a guarantee or a reliable indicator of future results.

CREDIT QUALITY

The credit quality of a particular security or group of securities does not ensure the stability or safety of an overall portfolio. The quality ratings of individual issues/issuers are provided to indicate the credit-worthiness of such issues/issuer and generally range from AAA, Aaa, or AAA (highest) to D, C, or D (lowest) for S&P, Moody's, and Fitch respectively.

INVESTMENT STRATEGY

There is no guarantee that these investment strategies will work under all market conditions or are appropriate for all investors and each investor should evaluate their ability to invest long-term, especially during periods of downturn in the market.

INDEX

Bloomberg Long-Term Government/Credit Index is an unmanaged index of U.S. Government or Investment Grade Credit Securities having a maturity of 10 years or more. It is not possible to invest directly in an unmanaged index.

Bloomberg U.S. Long Credit Index includes both corporate and non-corporate sectors with maturities equal to or greater than 10 years. The corporate sectors are Industrial, Utility, and Finance, which include both U.S. and non-U.S. corporations. The non-corporate sectors are Sovereign, Supranational, Foreign Agency, and Foreign Local Government. It is not possible to invest directly in an unmanaged index.

The Bloomberg Long Corporate Index is a component of the Bloomberg U.S. Long Credit index. Bloomberg U.S. Long Credit Index is the credit component of the Bloomberg U.S. Government/Credit Index, a widely recognized index that features a blend of U.S. Treasury, government-sponsored (U.S. Agency and supranational), and corporate securities limited to a maturity of more than ten years.

Bloomberg Long-Term Treasury Index consists of U.S. Treasury issues with maturities of 10 or more years. It is not possible to invest directly in an unmanaged index.

FTSE STRIPS Index, 20+ Year Sub-Index represents a composition of outstanding Treasury Bond and Notes with a maturity of at least twenty years. The index is rebalanced each month in accordance with underlying Treasury figures and profiles provided as of the previous month-end. The included STRIPS are derived only from bonds in the FTSE U.S. Treasury Bond Index, which include coupon strips with less than one year remaining to maturity. It is not possible to invest directly in an unmanaged index.

INDEX cont'd

Bloomberg U.S. Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. It is not possible to invest directly in an unmanaged index.

S&P 500 Index is an unmanaged market index generally considered representative of the stock market as a whole. The Index focuses on the large-cap segment of the U.S. equities market. It is not possible to invest directly in an unmanaged index.

Russell 2000® Index is composed of 2,000 of the smallest companies in the Russell 3000 Index and is considered to be representative of the small cap market in general. It is not possible to invest directly in an unmanaged index.

The MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of non-U.S. developed markets. The index covers approximately 85% of the free-float adjusted market capitalization in each country. The MSCI World reflects the views and practices of the international investment community by striking a balance between a country's economic development and the accessibility of its market while preserving index stability.

The MSCI All Country World Index is a free-float adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI All Country World Index consists of 46 country indexes comprising developed and emerging market indexes.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. It is not possible to invest directly in the index.

J.P. Morgan Emerging Markets Bond Index (EMBI) Global tracks total returns for United States Dollar denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, and Eurobonds. It is not possible to invest directly in an unmanaged index.

Appendix

INDEX cont'd

JPMorgan Government Bond Index-Emerging Markets Global Diversified Index (Unhedged) is a comprehensive global local emerging markets index, and consists of regularly traded, liquid fixed-rate, domestic currency government bonds to which international investors can gain exposure. It is not possible to invest directly in an unmanaged index.

The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

The Bloomberg US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

Bloomberg Long Term Government Index is an unmanaged index of U.S. Government Securities having a maturity of 10 years or more.

The Bloomberg US Intermediate Credit Index measures the performance of investment grade, US dollar-denominated, fixed-rate, taxable corporate and government-related debt with less than ten years to maturity. It is composed of a corporate and a noncorporate component that includes non-US agencies, sovereigns, supranationals and local authorities.

Bloomberg U.S. Credit Index is an unmanaged index comprised of publicly issued U.S. corporate and specified non-U.S. debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered. This index was formerly known as the Bloomberg Credit Investment Grade Index.

It is not possible to invest directly in an unmanaged index.

OAS

The option adjusted spread (OAS) measures the spread over a variety of possible interest rate paths. A security's OAS is the average earned over Treasury returns, taking multiple future interest rate scenarios into account.

OUTLOOK

Statements concerning financial market trends or portfolio strategies are based on current market conditions, which will fluctuate. There is no guarantee that these investment strategies will work under all market conditions or are appropriate for all investors and each investor should evaluate their ability to invest for the long term, especially during periods of downturn in the market. Outlook and strategies are subject to change without notice.

RISK

Investing in the **bond market** is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and low interest rate environments increase this risk. Reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed. Investing in **foreign denominated and/or domiciled securities** may involve heightened risk due to currency fluctuations, and economic and political risks, which may be enhanced in emerging markets. **Mortgage and asset-backed securities** may be sensitive to changes in interest rates, subject to early repayment risk, and their value may fluctuate in response to the market's perception of issuer creditworthiness; while generally supported by some form of government or private guarantee there is no assurance that private guarantors will meet their obligations. **High-yield, lower-rated, securities** involve greater risk than higher-rated securities; portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not. **Equities** may decline in value due to both real and perceived general market, economic, and industry conditions. **Derivatives** may involve certain costs and risks such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. Investing in derivatives could lose more than the amount invested.

Appendix

PIMCO as a general matter provides services to qualified institutions, financial intermediaries and institutional investors. Individual investors should contact their own financial professional to determine the most appropriate investment options for their financial situation. This material contains the current opinions of the manager and such opinions are subject to change without notice. This material has been distributed for informational purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission. PIMCO is a trademark of Allianz Asset Management of America LLC in the United States and throughout the world.

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