

CORPORATE PENSION PLANS

The Pension Window of Opportunity



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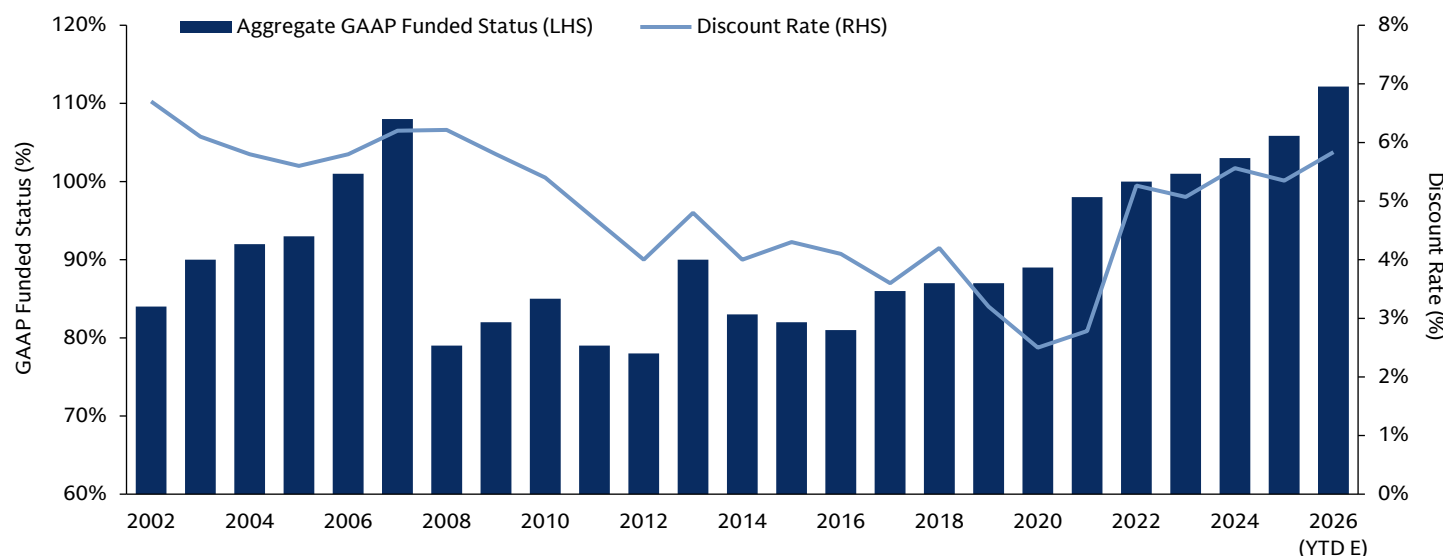


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While much of the world frets over the rise in global bond yields, one group should be welcoming the current environment – US corporate defined benefit (DB) pension plans. Since the discount rates for their plan liabilities are based on the current yields of high-quality corporate debt, higher interest rates translate to higher discount rates and therefore lower pension liabilities.

30-year US Treasury yields have been hovering around their highest level since 2009. The rise in yields has helped to propel the aggregate funded status of the US corporate DB universe to its highest point this century, as seen in Exhibit 1. At the same time, we estimate the average GAAP accounting discount rate as of the end of August 2026 to be approaching 6%, the highest level since the Global Financial Crisis.

Exhibit 1: Current Funding Levels and Highest Discount Rate Environment Since 2009 Provides a Potentially Attractive Entry Point for De-Risking Actions



Source: Goldman Sachs Asset Management and company reports. 2026 (YTD E) estimate as of August 31, 2026. Based upon all the US (when specified) defined benefit plans of S&P 500 companies. Historical average actual discount rate based upon the arithmetic average of US plan discount rates (when specified) of S&P 500 companies with December fiscal year-ends. For illustrative purposes only.

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During periods of low interest rates such as during the Covid-19 pandemic, some DB plans that were well-funded at that time were hesitant to move into liability driven investing (LDI) strategies. A fear of locking in low yields precluded asset allocation shifts to more fixed income, even if their glide paths called for it based on their then current level of funding. Given the highest yields available in over 15 years, that barrier should no longer exist.

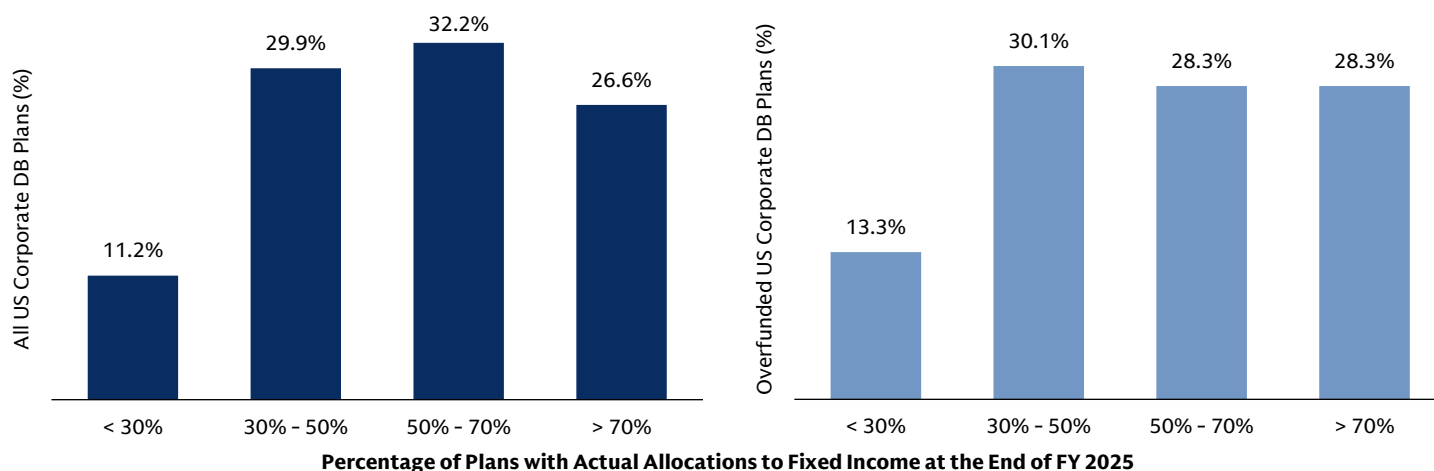
Over the past decade, there have been many organizations that have increased their allocations to fixed income as part of LDI programs. Indeed, as of the end of 2025 our work would indicate the actual aggregate allocation to fixed income for the US corporate DB system was 52%, up from only 32% in 2007 before the Global Financial Crisis¹.

However, there are many plans that still have not meaningfully increased their fixed income allocation and are notably underhedged with respect to their interest rate risk. The left side of Exhibit 2 details the distribution of the actual allocations to fixed income as of the end of 2025 for US corporate DB plans. Over 40% of companies had less than a 50% allocation to fixed income, despite the rise in funded levels in recent years.

The right side of Exhibit 2 is even more illustrative. For this analysis we looked at only those companies that had overfunded US DB plans as of the end of 2025. Despite isolating the population to only those companies that were overfunded, the distribution is similar to the broader sample on the left. For example, over 40% of companies that were overfunded as of the end of fiscal year 2025 still had less than a 50% allocation to fixed income.

The analysis in both histograms is further underlined by the reality that the fixed income allocations in the exhibit were as of FY 2025, and our work would indicate funded levels have marched notably higher in 2026.

Exhibit 2: Several DB Plans Remain Underhedged with Respect to Interest Rate Risk

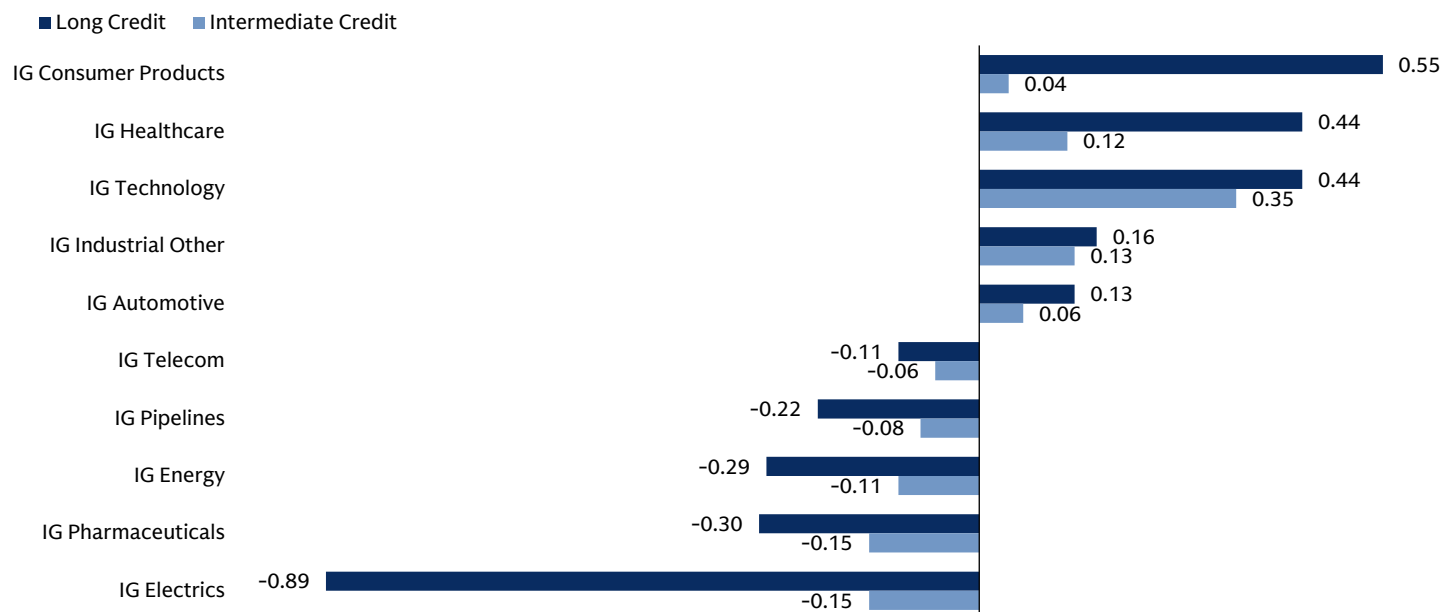


Source: Goldman Sachs Asset Management and company reports. All data as of FY 2025. Based upon all the US (when specified) defined benefit plans of S&P 500 companies. For illustrative purposes only.

In addition to the ability to derisk in a higher interest rate environment, public fixed income market dynamics also offer an opportunity for active managers to capture meaningful excess returns. Goldman Sachs Asset Management's (GSAM) Long Credit and Intermediate Credit portfolios employ a combination of out-of-benchmark sector allocations, strategic corporate curve positioning, and targeted industry exposures to generate alpha. Our portfolios currently leverage selective allocations to investment grade emerging markets and securitized assets to harvest high-quality carry, overweight the short end of the corporate curve to take advantage of credit curve steepening, and favor the technology and healthcare sectors, while being more cautious on utilities (see Exhibit 3). This active approach has driven strong performance in both strategies while retaining the liquidity benefits of public fixed income – over the past 3 years, the Long Credit strategy has captured 89 bps of excess return annually, and the Intermediate Credit strategy has earned 25 bps of excess return annually.²

¹ For additional information, please see our [Annual Corporate Pension Review "First Take"](#)

² As of June 30th, 2026. There is no guarantee that objectives will be met. Portfolio holdings and/or allocations shown above are as of the date indicated and may not be representative of future investments. The holdings and/or allocations shown may not represent all of the portfolio's investments. Future investments may or may not be profitable. **Past performance does not predict future returns and does not guarantee future results, which may vary.**

Exhibit 3: Diversified Exposure Across Industries in Our Long Credit and Intermediate Credit Strategy Representative Portfolio

Source: Goldman Sachs Asset Management. As of June 30, 2026. Shows Net Risk versus benchmark. Net Risk expresses risk positioning and specifically “CTP”, “Contribution to Primary Factor”, GSAM’s internal measure for beta-adjusted spread duration, expressed in years vs. benchmark. Benchmark: Bloomberg US Long Credit Index and Bloomberg US Intermediate Credit Index. The information shown is of a representative portfolio, is for informational purposes only and is not indicative of future portfolio characteristics/returns. Actual results may vary for each client due to specific client guidelines and other factors. The representative portfolio was chosen as most representative of the unrestricted strategy being proposed.

There are obviously limitations to the analysis we covered in Exhibit 2. The data in that exhibit only considers physical allocations to fixed income. Some plans increase their interest rate hedging using derivative instruments such as futures and swaps, the impact of which is not reflected in the data.

In addition, it doesn’t consider other factors that may be influencing a plan’s investment strategy and asset allocation, such as whether the plan may still be open and accruing new benefits. In such a situation, a plan may still have a “risk on” posture, even if in an overfunded position.

Nonetheless, the analysis highlights that while much de-risking has occurred in the US corporate DB space over the past 10 – 15 years, there is still likely more work to be done for many organizations. The current yield and funded level environment may provide a window of opportunity to take such actions.

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