



Preamble

In mid-February, public pension trustees and investment managers, state treasurers and consulting firms convened in New Orleans for the Opal Group – LATEC Inve\$tmment Education Symposium. It was an honor to share the podium with Moderator [Tony Giordano](#), and panelists [Henry Wilson, MPA](#), and **Paul Strauss** as we discussed global macroeconomic and geopolitical trends and the implications for pension plans.

Global Macroeconomic & Geopolitical Trends Under Trump 2.0: Implications for Plan Sponsors and Pensions

Public pension trustees enter 2026 navigating one of the most consequential shifts in global macroeconomics, national-security policymaking, trade architecture, and geopolitical alignment since the post-Cold War era. A second Trump administration (termed “Trump 2.0”) emphasizes renewed “America First” priorities, reshoring, tariff-centric trade policy, industrial policy anchored in national security, and a move away from multilateral norms. For plan sponsors, CIOs, CROs, actuaries, investment consultants, and trustees, the implications are far-reaching: higher geopolitical variance, elevated inflation persistence, supply-chain regime shifts, interest-rate volatility, cyber-threat escalation, and continued fragmentation of global capital markets. This article summarizes the topics discussed, from a fiduciary perspective, and offers strategic recommendations for public pension governance and investment office oversight.

America First 2.0: Tariffs, Supply Chains, and Inflation Transmission

The administration's renewed focus on universal tariffs—potentially including a 10 percent base rate and elevated targeted tariffs on China—creates economy-wide inflationary impacts. Research from the Peterson Institute for International Economics (PIIE) shows that broad tariffs function as a quasi-consumption tax, raising input and producer prices while also elevating long-term inflation expectationsⁱ. These pressures flow into higher goods inflation, increased cost pass-through, and margin compression for trade-sensitive sectors.

Supply-chain regionalization is accelerating. The shift toward near-shoring in Mexico, India, Vietnam, and the broader Indo-Pacific is supported by IMF research documenting how geopolitical fragmentation is reshaping global value chains and factor-price dynamicsⁱⁱ. Pension funds must therefore update exposure maps to identify concentration in tariff-sensitive manufacturing, Chinese supply-chain inputs, and energy-intensive production.

Implications for defined benefit (DB) plans: Tariff-driven inflation may lift long-term Treasury yields which, in turn, improves funded status but may also increase liability volatility.

Implications for defined contribution (DC) plans: Higher inflation affects default glide paths, stable-value book yields, and participant purchasing power.

The Reemergence of a Multipolar, Fragmented Global Order

Geopolitics is moving decisively toward multipolar competition. RAND Corporation analysis shows that the U.S., China, India, and Gulf powers are asserting more distinct spheres of influence, leading to increased tail-risk frequency, including military conflict, sanctions, cyber operations, and contested trade routesⁱⁱⁱ. CSIS research on Chinese maritime behavior and Indo-Pacific coercion further highlights the fragility of shipping and semiconductor supply routes^{iv}.

Implications for DB plans: Multipolarity complicates risk modeling:

- **Correlation structures become unstable** under geopolitical shocks;
- **Discount-rate volatility** rises as markets reprice risk premiums;
- **Emerging-market dispersion** widens based on geopolitical alignment, capital-flow risk, and energy exposure.

Trustees should require investment offices to integrate geopolitical scenario analysis into quarterly reporting, using frameworks consistent with the IMF's Global Financial Stability Report analysis of geopolitical shocks and asset prices^v.

U.S. Fiscal and Monetary Policy Under Trump 2.0

Fiscal policy under a renewed Trump administration is expected to emphasize expanded tax cuts, increased defense spending, and enhanced industrial subsidies. This fiscal stance interacts with Federal Reserve policy in complex ways. Growing deficits and increased Treasury issuance may place upward pressure on long-term rates even if the Fed pursues normalization—a dynamic consistent with findings in the CBO's long-term budget outlook^{vi}.

Plans must prepare for:

- **Steeper yield curves** and volatility in long-duration liabilities;
- **Spread widening** in corporate and municipal bond markets;
- **Repricing of private-credit risk** due to higher base rates;
- **Dollar strength** that reshapes emerging-market returns.

The IMF's World Economic Outlook series highlights how differential fiscal-monetary policy interactions in major economies can generate cross-border volatility in capital flows and exchange rates^{vii}.

National-Security-Driven Industrial Policy

Industrial policy in Trump 2.0 will be deeply intertwined with national security, continuing and expanding the logic of the CHIPS Act. Commerce Department and BIS export-control guidance signal sustained restrictions on semiconductor technology transfers to China^{viii}, increased scrutiny of dual-use technologies, and incentives for domestic semiconductor, AI infrastructure, nuclear energy, and defense-industrial-base expansion.

Trustees should treat these sectors as both *opportunity sets* (due to long-term capital investment programs) and *risk centers* (due to regulatory, sanction, and policy-reversal exposure). RAND and CSIS research emphasize that these sectors sit at the intersection of strategic competition and supply-chain vulnerability^{ix}.

Energy Markets Under Policy Divergence

Trump 2.0 energy policy may accelerate fossil-fuel production, LNG export capacity, and natural-gas pipeline permitting, while softening some climate-policy requirements. According to the U.S. Energy Information Administration's Annual Energy Outlook^x, expanded domestic production lowers medium-term U.S. energy prices but may raise global volatility if OPEC+ responds competitively. The International Energy Agency's World Energy Outlook^{xi} further notes that divergent national approaches to energy transition amplify transition-risk dispersion across markets and asset classes.

For pension funds, this creates sector-level dynamics:

- **Utilities and energy infrastructure** gain resilience under higher throughput;
- **Nuclear energy investment** may rise due to licensing reforms;
- **Transition-exposed assets** require updated carbon-price and regulatory-pathway modeling.

Trustees should require scenario analyses aligned to IEA climate and energy-market pathways^{xii}.

Capital Flows, FX Dynamics, and Emerging Markets

A more protectionist environment and the risk of U.S.–China financial decoupling increase FX volatility and capital-flow instability. BIS research suggests that geopolitical alignment now drives capital-flow patterns more than traditional macro variables in certain emerging markets^{xiii}. Dollar strength elevates debt-service risk for countries with large USD liabilities.

Plans with meaningful emerging-market exposure should:

- Integrate FX-aware risk modeling;
- Conduct country-specific liquidity tiering;
- Reduce overdependence on authoritarian regimes facing sanctions risk;
- Implement dynamic exposure hedging for currency-mismatched assets.

These practices align with best-in-class risk-governance frameworks promoted by NACD and DCRO Institute resources^{xiv}.

Cybersecurity and AI Risks to Public Funds

Geopolitical conflict increases the frequency and sophistication of cyberattacks targeting public-sector systems, asset managers, custodians, data centers, and utilities. The NIST Cybersecurity Framework 2.0^{xv} and NIST AI Risk Management Framework^{xvi} provide detailed controls, governance roles, monitoring standards, and risk-mitigation practices suitable for pension-fund oversight.

Emerging AI-enabled threats include:

- Autonomous malware;
- Deep-fake enabled social engineering;
- Supply-chain cyber compromises at investment managers;
- Attacks on critical infrastructure assets owned within real-asset portfolios.

Boards should require Cyber ODD (operational due diligence) on external managers and administrators and incorporate cyber-risk dashboards into Audit/Risk Committee oversight.

Governance and Fiduciary Oversight in a High-Volatility World

NACD governance guidance stresses that high-volatility regimes require boards to upgrade risk oversight, clarify escalation paths, and adopt more dynamic committee roles^{xvii}.

Trustees should implement:

- Quarterly geopolitical and macroeconomic briefings;
- Dynamic risk budgeting tied to scenario thresholds;
- Cross-committee alignment between Investment, Audit/Risk, and Benefits/Operations;
- Independent stress testing of liquidity, FX, and funding volatility;
- Documentation of fiduciary rationale for major investment shifts.

Boards that enhance governance capacity improve adherence to prudent-person standards in the face of geopolitical and macro uncertainty.

Investment Strategies to Navigate 2026+

To respond proactively, trustees should consider five strategic approaches:

1. **Barbell portfolios:** Blend low-beta defensives (Treasury, high-quality credit, low-volatility equities) with opportunistic risk assets (energy infrastructure, private credit, emerging-market select exposures). BlackRock's Geopolitical Risk Indicator provides timely insight into market sensitivity to geopolitical shocks^{xviii}.
2. **Liquidity governance:** Segment private markets into three tiers (core, semi-liquid, illiquid) aligned with cash-flow needs.
3. **Inflation-resilient assets:** Emphasize infrastructure, real assets, commodities, and inflation-linked bonds, supported by EIA and IEA long-term energy and commodity projections^{xix}.
4. **Country-selection overlays:** Prioritize countries benefiting from supply-chain realignment and diversify away from those exposed to sanctions, naval chokepoints, or political instability—consistent with IMF scenario work^{xx}.
5. **AI-assisted analytics:** Use ML/AI models for early-warning indicators on liquidity, correlation shifts, counterparty stress, and macro regime transitions—aligned with NIST AI RMF governance standards^{xxi}.
6. **For DC default glidepaths:** Integrate macro-shock stress tests, particularly for near-retirement cohorts sensitive to sequence-of-returns risk.

Trustee Questions for 2026 and Beyond

Trustees do not need to predict geopolitical events. They must create resilient governance environments capable of absorbing them. Boards should routinely ask:

1. What are our portfolio's tariff, supply-chain, and China-dependency exposures?
2. Which geopolitical scenarios most threaten funded status or liquidity?
3. How sensitive are liabilities and discount rates to steep-curve scenarios?
4. What percentage of private markets are in illiquid tiers, and how quickly could we meet a 1- or 2-percent cash call?
5. What is our exposure to national-security-driven industrial-policy sectors?
6. Are our managers aligned with NIST CSF and AI RMF cybersecurity standards?
7. How is geopolitical risk incorporated into manager selection, monitoring, and risk budgeting?
8. How do we document fiduciary rationale under uncertainty?

Conclusion

Trump 2.0 marks an inflection point for public pension governance. Geopolitical realignment, tariff-driven inflation, fiscal expansion, FX volatility, cyber aggression, and divergent energy policies shape a complex environment for DB and DC plan oversight. The responsibility of trustees is not to forecast precise outcomes, but to build resilient governance processes, scenario-conditioned portfolios, and forward-looking oversight frameworks that protect beneficiaries across cycles.

Boards that proactively integrate geopolitical intelligence, macro-scenario modeling, NIST cyber standards, and NACD risk-governance practices will be best positioned to safeguard assets and deliver long-term sustainability.

ⁱ <https://www.piie.com/research/trade-investment/tariffs>

ⁱⁱ <https://www.imf.org/en/publications/weo>

ⁱⁱⁱ <https://www.rand.org/topics/geopolitical-strategic-competition.html>

^{iv} <https://www.csis.org/special-initiatives/on-china/geopolitics>, <https://www.csis.org/analysis/chinas-power-play-across-pacific>, <https://www.csis.org/analysis/chinas-third-policy-paper-latin-america-and-caribbean-expanding-influence-and-ambitions>, and <https://www.csis.org/analysis/shared-threats-indo-pacific-alliances-and-burden-sharing-todays-geopolitical-environment>

^v <https://www.imf.org/-/media/files/publications/gfsr/2025/april/english/ch2.pdf>

^{vi} <https://www.cbo.gov/publication/58932>

^{vii} <https://www.imf.org/en/publications>

^{viii} <https://www.bis.gov/>

^{ix} <https://www.rand.org/topics/geopolitical-strategic-competition.html>, <https://www.csis.org/special-initiatives/on-china/geopolitics>, <https://www.csis.org/analysis/chinas-power-play-across-pacific>, <https://www.csis.org/analysis/chinas-third-policy-paper-latin-america-and-caribbean-expanding-influence-and-ambitions>, and <https://www.csis.org/analysis/shared-threats-indo-pacific-alliances-and-burden-sharing-todays-geopolitical-environment>

^x <https://www.eia.gov/outlooks/aeo>

^{xi} <https://www.iea.org/reports/world-energy-outlook-2025>

^{xii} <https://www.iea.org/reports/world-energy-outlook-2025/executive-summary>

^{xiii} <https://www.bis.org/quarterlyreviews/>

^{xiv} <https://www.nacdonline.org/all-governance/governance-resources/core-oversight-topics/strategy-risk/>

^{xv} <https://www.nist.gov/cyberframework>

^{xvi} <https://airc.nist.gov/airmf-resources/airmf>

^{xvii} <https://www.nacdonline.org/all-governance/governance-resources/core-oversight-topics/strategy-risk/>

^{xviii} <https://www.blackrock.com/corporate/insights/blackrock-investment-institute/interactive-charts/geopolitical-risk-dashboard>

^{xix} <https://www.iea.org/reports/world-energy-outlook-2025> and <https://www.eia.gov/outlooks/aeo>

^{xx} <https://www.imf.org/en/publications>

^{xxi} <https://airc.nist.gov/airmf-resources/airmf>