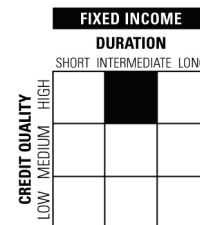


# PIMCO Total Return Fund - Institutional Class



PIMCO is widely regarded as the country's premier fixed income investment manager. Founded in 1971 by Bill Gross, PIMCO was one of the first investment firms to specialize in active bond management. PIMCO has been a leader in the innovation of new fixed income securities and continues to seek new ways to add value for its clients. PIMCO is one of the largest active bond managers in the U.S. The PIMCO Total Return Fund is managed by Bill Gross, Morningstar's Fixed Income Manager of the Year for 1998, 2000, and 2007 and is the largest bond fund in the U.S.

Asset Class: **Bonds**  
Category: **Intermediate-Term Bond**

Fund consists of income earned on the Fund's investments, plus capital appreciation, if any, which generally arises from decreases in interest rates or improving credit fundamentals for a particular sector or security.

## FUND FACTS

Inception date: **May 11, 1987**

Investment advisory fee for period ended March 31, 2008: **0.46%**

Other expenses: **0.06%**

Gross fund expense ratio for period ended March 31, 2008: **0.52%**

If offered through a retirement program, additional fees and expenses may be charged under that program.

## Important Information

Category is interpreted by ING using Fund company and/or Morningstar category information.

Fees and expenses may be subject to change based on fund size or fee waiver arrangements; please refer to the prospectus for more information. More detailed information is included in the enrollment material.

"Management Fees" reflect an advisory fee and a supervisory and administrative fee payable by the Fund to PIMCO.

"Other Expenses" reflect interest expense. Interest expense is based on the amounts incurred during the Fund's most recent fiscal year as a result of entering into certain investments, such as reverse repurchase agreements. This interest expense is required to be treated as an expense of the Fund for accounting purposes, but the amount of interest expense (if any) will vary with the Fund's use of those investments (like reverse repurchase agreements) as an investment strategy.

Total Annual Fund Operating Expenses excluding interest expense is 0.46% for Institutional Class shares.

If you participate in an IRC Sections 403(b), 401 or 457 retirement plan funded by an SEC-registered group annuity contract, this material must be accompanied by the current Performance Update and a Prospectus Summary for the contract.

**You should consider the investment objectives, risks, and charges and expenses of the investment options offered through a retirement plan carefully before investing. The prospectus contains this and other**

**information. Please read the prospectus carefully before investing. You can obtain a free prospectus for the Portfolio and/or the separate account prior to making an investment decision or at any time by contacting your local representative or 1-800-262-3862. If a different toll-free number is shown on the first page of the Prospectus Summary or in your enrollment material, please call that number.**

## Investment Adviser

Pacific Investment Management Company LLC (PIMCO)

## Portfolio Manager

William H. Gross

## Investment Objective

Seeks maximum total return, consistent with preservation of capital and prudent investment management.

## Strategy

The Fund invests under normal circumstances at least 65% of its total assets in a diversified portfolio of Fixed Income Instruments of varying maturities. The average portfolio duration normally varies within two years (plus or minus) of the duration of the Barclays Capital Aggregate Bond Index, which as of June 30, 2008 was 4.68 years. It invests primarily in investment grade debt securities, but may invest up to 10% of its total assets in high yield securities ("junk bonds") rated B or higher by Moody's or equivalently rated by S&P or Fitch, or, if unrated, determined by PIMCO to be of comparable quality. The Fund may invest up to 15% of its total assets in securities of issuers that are economically tied to emerging market countries. The Fund will normally limit its foreign currency exposure (from non-U.S. dollar-denominated securities or currencies) to 20% of its total assets. The Fund may invest all of its assets in derivative instruments, such as options, futures contracts or swap agreements, or in mortgage- or asset-backed securities. The Fund may not invest in equity securities. The Fund may, without limitation, seek to obtain market exposure to the securities in which it primarily invests by entering into a series of purchase and sale contracts or by using other investment techniques (such as buy backs or dollar rolls). The "total return" sought by the

**Insurance products, annuities and funding agreements issued by ING Life Insurance and Annuity Company ("ILIAC"), which is solely responsible for meeting its obligations. Plan Administrative services provided by ILIAC or ING Institutional Plan Services, LLC. Securities distributed by or offered through ING Financial Advisers, LLC (member SIPC) or other broker-dealers with which it has a selling agreement.**

## PIMCO Total Return Fund – Institutional Class

### Summary of Principal Risks

The value of your investment in a Fund changes with the values of that Fund's investments. Many factors can affect those values. The factors that are most likely to have a material effect on a particular Fund's portfolio as a whole are called "principal risks." The principal risks of each Fund are identified in the Fund Summaries and are described in this section. Each Fund may be subject to additional risks other than those described below because the types of investments made by a Fund can change over time. Securities and investment techniques mentioned in this summary that appear in **bold type** are described in greater detail under "Characteristics and Risks of Securities and Investment Techniques." That section and "Investment Objectives and Policies" in the Statement of Additional Information also include more information about the Funds, their investments and the related risks. There is no guarantee that a Fund will be able to achieve its investment objective. It is possible to lose money by investing in a Fund. The principal risks of investing in the Fund, which could adversely affect its net asset value, yield and total return, are: • Interest Rate Risk • Credit Risk • High Yield Risk • Market Risk • Issuer Risk • Liquidity Risk • Derivatives Risk • Equity Risk • Mortgage-Related and Other Asset-Backed Risk • Foreign (Non-U.S.) Investment Risk • Emerging Markets Risk • Currency Risk • Leveraging Risk • Management Risk • Short Sale Risk

#### Interest Rate Risk

Interest rate risk is the risk that fixed income securities will decline in value because of changes in interest rates. As nominal interest rates rise, the value of certain fixed income securities held by a Fund is likely to decrease. A nominal interest rate can be described as the sum of a real interest rate and an expected inflation rate. Fixed income securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. Inflation-indexed bonds, including Treasury Inflation-Protected Securities, decline in value when real interest rates rise. In certain interest rate environments, such as when real interest rates are rising faster than nominal interest rates, **inflation-indexed bonds** may experience greater losses than other fixed income securities with similar durations. **Variable and floating rate securities** generally are less sensitive to interest rate changes but may decline in value if their interest rates do not rise as much, or as quickly, as interest rates in general. Conversely, floating rate securities will not generally increase in value if interest rates decline. Inverse floating rate securities may decrease in value if interest rates increase. Inverse floating rate securities may also exhibit greater price volatility than a fixed rate obligation with similar credit quality. When a Fund holds variable or floating rate securities, a decrease (or, in the case of inverse floating rate securities, an increase) in market interest rates will adversely affect the income received from such securities and the net asset value of the Fund's shares.

#### Credit Risk

A Fund could lose money if the issuer or guarantor of a fixed income security, or the counterparty to a **derivatives contract**, **repurchase agreement** or a **loan of portfolio securities**, is unable or unwilling to **make** timely principal and/or interest payments, or to otherwise honor its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in **credit ratings**. **Municipal bonds** are subject to the risk that litigation, legislation or other political events, local business or economic conditions, or the bankruptcy of the issuer could have a significant effect on an issuer's ability to make payments of principal and/or interest.

#### High Yield Risk

Funds that invest in **high yield securities** and **unrated securities** of similar credit quality (commonly known as "junk bonds") may be subject to greater levels of credit and liquidity risk than funds that do not invest in such securities. These securities are considered predominately speculative with respect to the issuer's continuing ability to make principal and interest payments. An economic downturn or period of rising interest rates could adversely affect the market for these securities and reduce a Fund's ability to sell these securities (liquidity risk). If the issuer of a security is in default with respect to interest or principal payments, a Fund may lose its entire investment.

#### Market Risk

The market price of securities owned by a Fund may go up or down, sometimes rapidly or unpredictably. Securities may decline in value due to factors affecting securities markets generally or particular industries represented in the securities markets. The value of a security may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. During a general downturn in the securities markets, multiple asset classes may decline in value simultaneously. Equity securities generally have greater price volatility than fixed income securities.

#### Issuer Risk

The value of a security may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods or services.

#### Liquidity Risk

Liquidity risk exists when particular investments are difficult to purchase or sell. A Fund's investments in **illiquid securities** may reduce the returns of the Fund because it may be unable to sell the illiquid securities at an advantageous time or price. Additionally, the market for certain investments may become illiquid under adverse market or economic conditions independent of any specific adverse changes in the conditions of a particular issuer. In such cases, a Fund, due to limitations on investments in illiquid securities and the difficulty in purchasing and selling such securities or instruments, may be unable to achieve its desired level of exposure to a certain sector. To the extent that a Fund's principal investment strategies involve **foreign (non-U.S.) securities**, **derivatives** or securities with substantial market and/or credit risk, the Fund will tend to have the greatest exposure to liquidity risk.

#### Derivatives Risk

**Derivatives** are financial contracts whose value depends on, or is derived from, the value of an underlying asset,

reference rate or index. The various derivative instruments that the Funds may use are referenced under "Characteristics and Risks of Securities and Investment Techniques—Derivatives" in this prospectus and described in more detail under "Investment Objectives and Policies" in the Statement of Additional Information. The Funds typically use derivatives as a substitute for taking a position in the underlying asset and/or as part of a strategy designed to reduce exposure to other risks, such as interest rate or currency risk. The Funds may also use derivatives for leverage, in which case their use would involve leveraging risk. A Fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Derivatives are subject to a number of risks described elsewhere in this section, such as liquidity risk, interest rate risk, market risk, credit risk and management risk. They also involve the risk of mispricing or improper valuation and the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index. A Fund investing in a derivative instrument could lose more than the principal amount invested. Also, suitable derivative transactions may not be available in all circumstances and there can be no assurance that a Fund will engage in these transactions to reduce exposure to other risks when that would be beneficial.

#### **Mortgage-Related and Other Asset-Backed Risk**

**Mortgage-related and other asset-backed securities** are subject to certain additional risks. Generally, rising interest rates tend to extend the duration of fixed rate mortgage-related securities, making them more sensitive to changes in interest rates. As a result, in a period of rising interest rates, if a Fund holds mortgage-related securities, it may exhibit additional volatility. This is known as extension risk. In addition, adjustable and fixed rate mortgage-related securities are subject to prepayment risk. When interest rates decline, borrowers may pay off their mortgages sooner than expected. This can reduce the returns of a Fund because the Fund may have to reinvest that money at the lower prevailing interest rates. A Fund's investments in other asset-backed securities are subject to risks similar to those associated with mortgage-related securities, as well as additional risks associated with the nature of the assets and the servicing of those assets.

#### **Foreign (Non-U.S.) Investment Risk**

A Fund that invests in **foreign (non-U.S.) securities** may experience more rapid and extreme changes in value than a fund that invests exclusively in securities of U.S. companies. The securities markets of many foreign countries are relatively small, with a limited number of companies representing a small number of industries. Additionally, issuers of foreign securities are usually not subject to the same degree of regulation as U.S. issuers. Reporting, accounting and auditing standards of foreign countries differ, in some cases significantly, from U.S. standards. Also, nationalization, expropriation or confiscatory taxation, currency blockage, political changes or diplomatic developments could adversely affect a Fund's investments in a foreign country. In the event of nationalization, expropriation or other confiscation, a Fund could lose its entire investment in foreign securities. Adverse conditions in a certain region can adversely affect securities of other countries whose economies appear to be unrelated. To the extent that a Fund invests a significant portion of its assets in a specific geographic region, the Fund will generally have more exposure to regional economic risks associated with foreign investments.

#### **Emerging Markets Risks**

Foreign investment risk may be particularly high to the extent that a Fund invests in **emerging market securities** that are economically tied to countries with developing economies. These securities may present market, credit, currency, liquidity, legal, political and other risks different from, or greater than, the risks of investing in developed foreign countries.

#### **Currency Risk**

If a Fund invests directly in **foreign (non-U.S.) currencies** or in securities that trade in, and receive revenues in, **foreign (non-U.S.) currencies**, or in **derivatives** that provide exposure to **foreign (non-U.S.) currencies**, it will be subject to the risk that those currencies will decline in value relative to the U.S. dollar, or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged. Currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates, intervention (or the failure to intervene) by U.S. or foreign governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in the United States or abroad. As a result, a Fund's investments in foreign currency-denominated securities may reduce the returns of the Fund.

#### **Leveraging Risk**

Certain transactions may give rise to a form of leverage. Such transactions may include, among others, **reverse repurchase agreements, loans of portfolio securities**, and the use of **when-issued, delayed delivery or forward commitment transactions**. The use of **derivatives** may also create leveraging risk. To mitigate leveraging risk, PIMCO will segregate or " earmark " liquid assets or otherwise cover the transactions that may give rise to such risk. The Funds also may be exposed to leveraging risk by **borrowing** money for investment purposes. Leveraging may cause a Fund to liquidate portfolio positions to satisfy its obligations or to meet segregation requirements when it may not be advantageous to do so. Leveraging, including **borrowing**, may cause a Fund to be more volatile than if the Fund had not been leveraged. This is because leveraging tends to exaggerate the effect of any increase or decrease in the value of a Fund's portfolio securities

#### **Management Risk**

Each Fund is subject to management risk because it is an actively managed investment portfolio. PIMCO and the individual portfolio manager will apply investment techniques and risk analyses in making investment decisions for the Funds, but there can be no guarantee that these decisions will produce the desired results. Additionally, legislative, regulatory, or tax developments may affect the investment techniques available to PIMCO and each individual portfolio manager in connection with managing the Funds and may also adversely affect the ability of the Funds to achieve their investment objectives.

#### **Short Sale Risk**

A Fund's **short sales**, if any, are subject to special risks. A **short sale** involves the sale by the Fund of a security that it does not own with the hope of purchasing the same security at a later date at a lower price. A Fund may also enter into a short derivative position through a futures contract or swap agreement. If the price of the security or derivative has increased during this time, then the Fund will incur a loss equal to the increase in price from the time that the **short sale**

was entered into plus any premiums and interest paid to the third party. Therefore, **short sales** involve the risk that losses may be exaggerated, potentially losing more money than the actual cost of the investment. Also, there is the risk that the third party to the **short sale** may fail to honor its contract terms, causing a loss to the Fund.

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# PORTFOLIO UPDATE

## PIMCO Total Return Fund - Institutional Class

### Important Information

Past performance does not guarantee future results. For most recent month-end performance which may be lower or higher than the past performance data shown please call 1-800-262-3862. Investment return and the principal value of an investment will fluctuate so that, when sold, an investment may be worth more or less than the original cost.

Average annual total returns and calendar year returns are net of all fund expenses, but do not include retirement plan charges which, if included, would reduce the total return. Please see the accompanying Performance Update for standardized product level returns. Performance results assume reinvestment of all earnings and do not include the deduction of any fund sales charges, which are waived under the terms of this retirement program.

AS OF MARCH 31, 2009

(shown in percentages)

### Fund Facts

Beta*	N/A
Market Benchmark <sup>1</sup>	Barclays Capital U.S. Aggregate Bond Index
Total Net Assets	\$144.4 billion

\* Beta is a means of measuring the volatility of a security or portfolio of securities in comparison with a specified market index or benchmark. A beta of 1 indicates that the security's price will move with the market index or benchmark. A beta higher than 1 indicates that the price will be more volatile than the market index or benchmark and a beta of less than 1 means that it will be less volatile.

### Top Ten Holdings

Not available at this time.

### Credit Quality\*\*\*

Aaa	69.0
Aa	10.0
A	13.0
Baa	4.0
Ba	3.0
Less Than B	1.0

### Asset Allocation

Government / Agency	28.0
Mortgage	66.0
Invest. Grade Credit	16.0
High Yield Credit	1.0
Non U.S. Developed	2.0
Emerging Markets (\$US)	3.0
Municipal	2.0
Net Cash & Equivalents	-18.0

### Average annual total returns

	Qtr <sup>#</sup>	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Fund	1.49	2.95	6.66	4.92	6.45	N/A
Index <sup>1</sup>	0.12	3.14	5.78	4.13	5.70	N/A

<sup>#</sup> Return Not Annualized

### Calendar year returns for periods ended 12/31



Fund	-0.28	12.12	9.52	10.22	5.57	5.15	2.89	4.01	9.10	4.82
Index <sup>1</sup>	-0.82	11.63	8.44	10.27	4.11	4.34	2.43	4.33	6.96	5.25

<sup>1</sup> Barclays Capital U.S. Aggregate Bond Index is an unmanaged index composed of securities from the Barclays Government/Corporate Bond Index, Mortgage-Backed Securities Index, and the Asset-Backed Securities Index, including securities that are of investment-grade quality or better and have at least one year to maturity. Please note that indexes are unmanaged and their returns do not take into account any of the fees and expenses of the funds to which they are compared. Individuals cannot invest directly in any index.

\*\*\*The credit quality of the securities in the portfolio is generally calculated by a national rating organization; if unrated, the investment manager may determine a comparable rating, which is included in the portfolio breakdown. The credit quality of the investment in the portfolio does not apply to the stability or safety of the Fund.