

\$20 Billion Club: 2026 Update



Strong investment returns offset liability losses to push funded status higher

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Pension investors were rewarded for diversification in 2025. While U.S. large cap public equity returns last year were strong (nearly 18%¹), non-U.S. equity returns were heroic at over 30%². This is only the fifth time since the Global Financial Crisis that non-U.S. equity has outperformed U.S., and it is by far the largest margin. Meanwhile, the Federal Reserve cut rates three times as inflation continued to cool and job creation was more muted. How did this all translate to the largest U.S. pension plans? Investment performance was good, the highest since 2021 in dollar terms, offset by discount rates that fell by about 20bps on average. Risk transfer activity was limited compared to prior years, and while overall liabilities ticked up a bit along with assets, we are still far from pre-2022 levels. Funded status increased for all but one of these 21 U.S. listed companies with the largest global DB liabilities, as **the average funded ratio increased 2.2% from 96.4% to 98.6%**, the highest level since 2007. The funding deficit in dollar terms decreased from \$29 billion to \$16 billion.

The largest corporate pension plan sponsors started their plans many decades ago. They typically represent a meaningful portion of the corporate balance sheet and have dedicated internal staff to manage them. High attention is given to their strategies, and they are often the trailblazers in the industry. From them, we see new trends emerging and find perspective with the plans we manage or advise on. Understanding trends among this group can help all corporate DB sponsors in their fiduciary and settlor roles.

This is the first paper posted each year (since 2011) that shares a summary of actual disclosed pension data from 10-k filings. The smaller sample size makes this possible, and since nearly half of all corporate pension liabilities in the U.S. come from this group, we typically find the insights useful.

Specifically, we are interested in how these companies have performed in the current economic environment, and what strategies they have used to navigate their way toward achieving their goals.

Exhibit 1 illustrates the funded status experience and attribution for this group since 2005. The orange line shows the dollar surplus or deficit, with

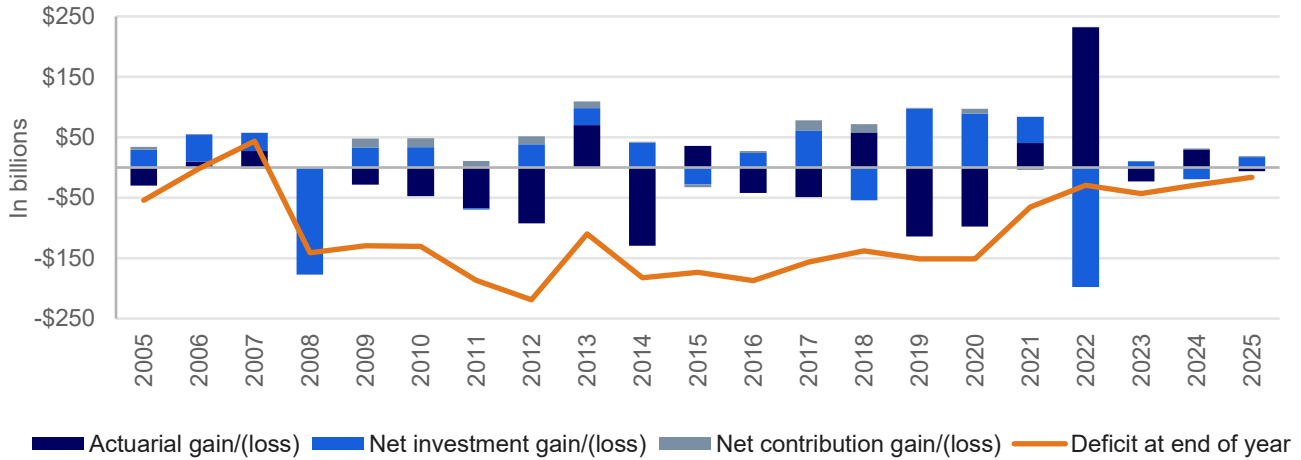
Key facts

- **Pension discount rates** decreased by about 20 bps.
- **Pension Risk transfers** dropped to the *lowest level* in many years.
- Average **funded ratio** increased 2.2% from 96.4% to 98.6%.
- **Funding deficit** decreased from \$29 billion to \$16 billion.

the bars indicating the key drivers of funded status change (i.e., attribution) in each year. Actuarial losses were driven by a drop in discount rates. Pension surplus ticked up, as investment gains outpaced liability interest costs (“Net investment”), and contributions exceeded service cost (“Net contribution”).

Investment gains outpaced liability interest costs

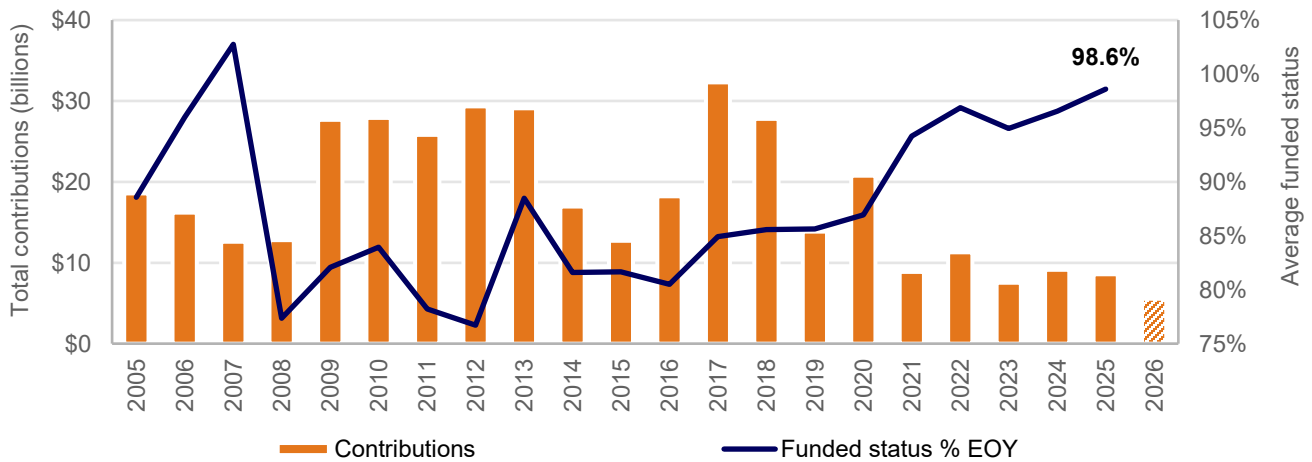
Exhibit 1: Combined surplus/(deficit) of the \$20 billion club, 2005-2025



Source: Russell Investments, Corporate 10-k filings.

Exhibit 2 shows that employer contributions were once again low in 2025, but higher than expected with both Lockheed Martin and AT&T contributing more than expected (about \$2 billion more combined). The lowest contribution year is still 2023. 2026 contributions are expected to be the lowest on record.

Exhibit 2: Contributions 2005-2025



Source: 10-k filings. The 2026 column is the sum of all the individual companies' expected 2026 contributions.

The average increase in funded ratio among these sponsors was 2.2%, with only one experiencing a decrease in 2025 - **Honeywell**, which was driven by large actuarial losses (they remain the best funded among the group). The companies with the largest funded ratio gains were **Merck** (+8.5%), **Exxon** (+5.2%), **FedEx** (+4.0%), **Johnson & Johnson** (+3.5%) and **AT&T** (+3.4%). This was the second year in a row Johnson & Johnson saw exceptional investment returns, being rewarded for relatively high allocations to equity.

A few more companies saw their global pension funded ratio inch above 100% – **Caterpillar**, **FedEx**, and **Pfizer** – bringing the total to 10 (of 21) among this group.

We should note here that liabilities listed in the 10-k filings include *all* global pension liabilities, including non-U.S. and nonqualified (and often unfunded) pension plans. A majority of these companies have fully funded U.S. qualified pension plans with trivial contribution requirements.

Both assets and liabilities in aggregate increased slightly, still far below the levels we saw prior to 2022 but notable in that risk transfer activity did not push assets or liabilities lower in total.

Exhibit 3 shows how liabilities, assets and surplus performed during 2025.

Exhibit 3: 2025 global pension assets and liabilities development

Liabilities	\$ Billion
Liability (Projected Benefit Obligation) at Start of Year	637.6
Accrual of new benefits (Service Cost)	6.9
Benefits paid	(46.3)
Interest payable on liability (Interest Cost)	32.3
Impact of change in interest rates and in actuarial assumptions (Actuarial Loss)	5.9
Miscellaneous other	6.4
Liability (Projected Benefit Obligation) at End of Year	642.8

Assets	\$ Billion
Assets (Fair Value) at Start of Year	608.5
Employer contributions	8.6
Benefits paid	(45.7)
Investment return on plan assets	49.4
Miscellaneous other	5.9
Assets (Fair Value) at End of Year	626.7

Surplus / (Deficit)	\$ Billion
Excess of assets above (below) liabilities at Start of Year	(29.1)
Excess of employer contributions over service cost	1.7
Actuarial gain (loss)	(5.9)
Investment returns less interest cost	17.1
Miscellaneous other	0.1
Excess of assets above (below) liabilities at End of Year	(16.1)

Source: Corporate 10-K Filings, Russell Investments calculations.

Nine companies now have global pension funded ratios above 100%...

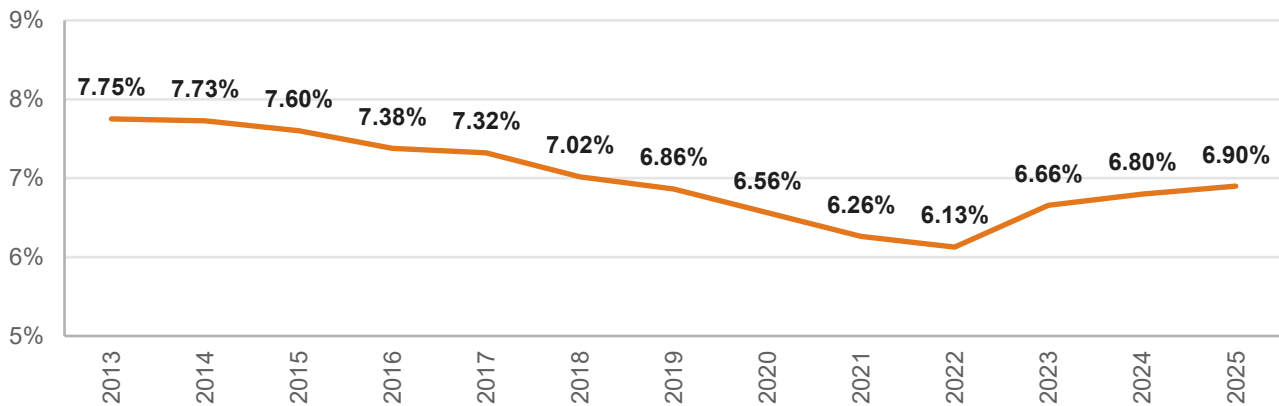
Expected return assumptions ticking up

Since 2022, when rates rose dramatically, companies have been quietly increasing their expected return on assets (EROA) assumptions. This assumption is important for financial reporting, as the EROA is used directly in pension expense calculations. The EROA assumption naturally changes when asset allocations change, but that is not the key driver here, with the exception of IBM noted below. Instead, what's changing is capital market assumptions.

A total of 16 of these companies have raised their EROA assumptions since 2022. During 2025, eight companies increased this assumption. On average, this assumption has increased over 75 bps since 2022, its lowest number on record. This trend is shown in [Exhibit 4](#).

During 2025, six companies increased [their EROA] assumptions...

Exhibit 4: Average EROA assumption



Source: 10-k filings.

Companies tackle small plans

Among large sponsors, pension liabilities are typically concentrated in one or two primary plans. These plans receive most of the strategic focus, as they drive overall funded status and contribution requirements. However, many sponsors also maintain smaller legacy plans. Some of these plans are overfunded and accumulating surplus, while others remain underfunded.

These smaller plans have recently drawn increased scrutiny as sponsors seek to simplify plan structures or unlock surplus capital embedded in certain plans.

The three primary strategic options are for these plans:

1. Merge smaller plans with larger plans
2. Terminate the smaller plans
3. Maintain the plans in their current structure

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Each option carries distinct trade-offs that we will not explore in depth here. However, this group provides two instructive case studies illustrating how sponsors have approached smaller plans.

Boeing, which previously sponsored as many as ten qualified U.S. pension plans, elected to merge “seven of [its] pension plans to make use of overfunding in certain plans, reducing required pension contributions.” This approach allowed surplus assets in smaller plans to offset underfunding in other plans.

Dow Chemical, by contrast, “terminated certain U.S. tax-qualified pension plans,” settling just under \$1 billion of liabilities. This action followed a full plan freeze in 2023 and reflects a broader effort to streamline and simplify its pension structure.

Other activity

IBM, which made headlines two years ago for reopening their frozen and overfunded U.S. DB plan has been aggressively replacing LDI assets with return-seeking assets. Two years ago, the plan’s target fixed income allocation was 83%. This dropped to 70% last year, and it now sits at 55%. The remaining assets are 20% in public equities and 25% in other return-seeking assets like hedge funds, infrastructure and private credit.

AT&T entered into a series of interest rate derivative contracts to better hedge their pension liability, totaling \$7.3 billion in notional exposure.

Raytheon Technologies completed a \$2.3 billion annuity purchase for their U.S. plan through Prudential, covering 60,000 participants.

Lockheed Martin, a regular user of risk transfer strategies, completed a \$0.9 billion annuity purchase buy-out conversion for their U.S. plan. This was previously a buy-in contract.

GE Healthcare executed a buy-in annuity purchase for its U.K. pension plan totaling about \$2 billion. This insurance contract remains part of the plan assets.

Lawsuits related to annuity purchases have affected several of these sponsors and probably led to dampened risk transfer activity. For **AT&T** and **GE**, the lawsuits were dismissed in 2025. For **Lockheed Martin**, the lawsuit has been allowed to proceed. A new lawsuit against **IBM** is pending.

Risk transfer activity was relatively limited for this group in 2025. Several sponsors faced lawsuits over annuity provider selection in recent years.

Membership of the \$20 billion club

Although corporate M&A activity was elevated in 2025, it had limited impact on these companies' pension plans. **3M** was removed from our analysis this year after a company split and an annuity purchase significantly reduced their pension liabilities. **Boeing** acquired Spirit Aerosystems, adding approximately \$1.3 billion in liabilities. Honeywell's spin-off of Advanced Materials modestly reduced its pension plan size. Overall, none of the 2025 transactions materially affected plan size or warranted changes to the group.

This year we tracked 21 corporations, generally included for having global pension liabilities exceeding \$20 billion:

1. AT&T
2. Boeing
3. Caterpillar
4. Dow Chemical
5. Exxon Mobil
6. FedEx
7. Ford Motor
8. GE Aerospace
9. GE HealthCare
10. GE Vernova
11. General Motors
12. Honeywell International
13. IBM
14. Johnson & Johnson
15. Lockheed Martin
16. Merck
17. Northrop Grumman
18. Pacific Gas & Electric
19. Pfizer
20. Raytheon Technologies
21. United Parcel Service

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¹ Source: FTSE Russell 1000

² Source: MSCI World ex-US

Related reading

Field, A. (2024, October). "\$20 billion club strategy: Pension plan strategy through investment, benefits, and funding policies". *Russell Investments Research*.

Owens, J. (2024, March). "\$20 billion club: Higher rates means...higher return assumptions?". *Russell Investments Research*.

Owens, J. (2023, October). "A guide to pension plan hibernation ". *Russell Investments Research*.

Owens, J. (2023, November). "How IBM reopened its DB plan to replace 401(k) contributions ". *Russell Investments Research*.

Field, A. (2023, September). "\$20 billion club: Policy strategies". *Russell Investments Research*.

Owens, J. (2022, September). "Defined benefit plan terminations: Funding and investment strategies ". *Russell Investments Research*.

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