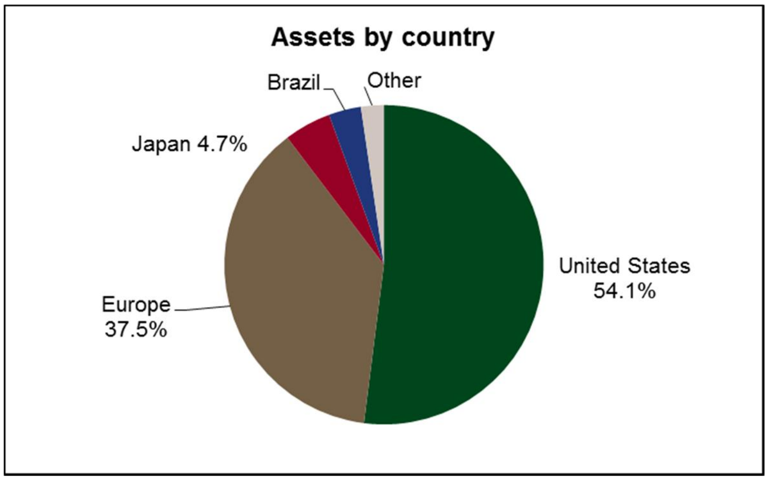
Pension Titans

Pensions & Investments collected defined benefit fund information from the annual reports of companies in the Dow Jones Global Titans index. This executive summary provides commentary and information on the plan sponsorsô funded status, asset allocation and other key topics.

The Dow Jones Global Titans 50 index measures the performance of the largest multinational companies. Fifty stocks are selected for the index, based on float-adjusted market capitalization, revenue and net income.

I. Overview

44 companies in the index had defined benefit plans with more than $802 billion in total assets. The bulk of the assets were concentrated in the U.S. and Europe, which represent 89.7% of total assets. The percentage of assets from U.S. companies ð 54.1% ð is in line with the index weighting. However, it is somewhat surprising when one takes into account six of the U.S. companies in the index had only defined contribution plans.



IBM had the most assets with 10.8% of the overall assets. Big Blue had $51.2 billion in U.S. defined benefit assets and $35.3 billion in non-U.S. defined benefit assets. Many index members had immaterial defined benefit assets, with the smallest 16 members representing only 4.1% of all the assets.

Largest plan sponsors	Assets $ mil.
International Business Machines Corp.	$ 86,580
Royal Dutch Shell PLC	$ 63,637
General Electric Co.	$ 50,518
AT&T Inc.	$ 45,907
HSBC Group PLC	$ 34,836

The energy sector had the most assets, with $198.2 billion or 24.7% of the total. Financials and information technology had 18.6% and 14.2% of the assets, respectively.

Assets and liabilities by sector ($ millions)					
	Fair value of plan assets	PBO	Funded status	Funding ratio	# of companies
Energy	$198,188	$239,151	-$40,963	82.9%	10
Financials	$149,443	$161,964	-$12,521	92.3%	8
Information technology	$113,900	$130,666	-$16,766	87.2%	4
Health care	$108,851	$135,929	-$27,078	80.1%	8
Other	$231,910	$303,544	-$71,634	76.4%	14

II. Funded status

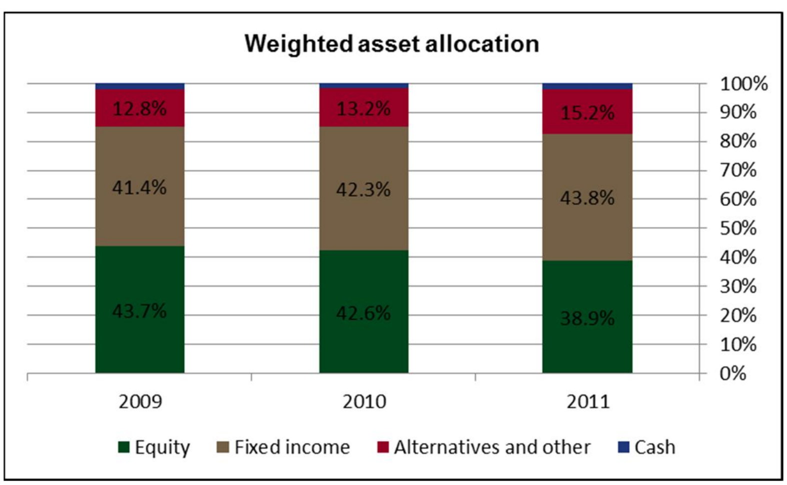
A sharp drop in the discount rates and muted market returns led to the aggregate funding ratio falling to 82.6% from 87.2% in 2010. The median discount rate fell to 4.6% in 2011 from 5.3% in 2010.

Aggregate assets and liabilities				
	2011	2010	2009	2008
Fair value of plan assets:	$ 802,285	$ 800,788	$ 734,921	$631,088
PBO:	$ 971,468	$ 918,284	$ 856,321	$745,244
Funding ratio	82.585%	87.205%	85.823%	84.682%

The United Kingdom had the highest overall funding ratio by country. The country had four companies in the index: HSBC Holdings PLC, BP PLC, Vodafone Group PLC and GlaxoSmithKline PLC. GlaxoSmithKline had the lowest funding ratio at 89.7%. HSBC and Vodafone were close to 100% funded. The funding ratio of BP's U.K. pension fund was 91.9%, while their overall global funding ratio was 89.9%. The three French companies in the index all had low or extremely low funding ratios.

III. Asset allocation

In 2011, the weighted average asset mix was 43.8% fixed income, 38.9% equities, 15.2% alternatives and other, and 2.1% cash. From 2009 to 2011, equity allocations decreased significantly and fixed-income allocations increased marginally. There was also a shift toward alternatives, whose allocation rose to 15.5% from 12.8%.



IV. Plan spotlights

OAO Gazprom, the successor to the Russian state-owned gas company, had the best funded status. As of Dec. 31, 2011, the fair value of the company's defined benefit assets was $13.9 billion, compared with a benefit obligation of $7.099 billion, resulting in a funding ratio of 196%. The company posted a funding ratio of 205.6% as of Dec. 31, 2010. In calendar year 2011, the fair value of the plan's assets increased 2.1% while the benefit obligations increased 7%.

BNP Paribas SA posted the worst funded status among the Global Titans. As of Dec. 31, 2011, the company had $4.9 billion in defined benefit plan assets, compared with $10.8 billion in benefit obligations for a funding ratio of 45.5%. The company's funding ratio has been gradually declining, from 50.8% in 2008.

V. Conclusion

The data give a detailed look into multinationals' defined benefit plans. They show the plans being generally well funded; significant interest rate head winds; and a gradual shift into alternative investments. For plan-by-plan information, please visit researchcenter.pionline.com/rankings/multinational-db-plan-sponsors/fundedstatus.

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