

IBM Transfers a Portion of U.S. Pension Obligations

On September 11, 2024, IBM filed an [8-K](#) (link resides outside ibm.com) describing the transfer of a portion of its U.S. qualified defined benefit pension plan obligations to The Prudential Insurance Company of America (“Prudential”).

IBM has taken actions over the last several years to reduce the risk profile of its worldwide retirement-related plans, while at the same time increasing the funded status of the plans. In September 2022, the company transferred \$16 billion of its U.S. qualified defined benefit pension plan obligations to Prudential and Metropolitan Life Insurance Company. Exiting 2023, IBM’s U.S. qualified defined benefit pension plan (the “Plan”) was funded at 123%.

The overall funded status of the Plan makes the transfer of an additional portion of the pension liabilities and assets to an insurance company a logical next step to further de-risk retirement-related plans. This change eliminates the potential for IBM to make future cash contributions to fund the pension obligations being transferred to the insurer.

On September 5, 2024, IBM and the Plan entered into a commitment agreement with Prudential. Under the agreement, a group annuity contract was purchased to transfer to Prudential approximately \$6 billion of the Plan’s obligations related to certain pension benefits that began to be paid prior to 2016. This represents over 30% of the Plan’s obligations. On September 11, 2024, the purchase of the group annuity contract closed, and the contract was purchased utilizing assets of the Plan. No cash or asset contribution was required of IBM. Under the contract, Prudential has the responsibility to pay the pension benefits due on or after January 1, 2025.

In the third quarter of 2024, IBM expects to incur a non-operating, non-cash, pre-tax charge of approximately \$2.7 billion related to the accelerated recognition of actuarial losses for the Plan. The actual settlement charge will depend on finalization of the actuarial assumptions. This charge was not included in the GAAP forward-looking information released on July 24, 2024. As the charge is non-operating and non-cash, it will not impact IBM’s third quarter or full-year 2024 operating (non-GAAP) profit or free cash flow.

Immediately after the transaction, the Plan continues to be more than fully funded.