

# Insider

## 2023 asset allocations in Fortune 1000 pension plans

By Mercedes Aguirre and Brendan McFarland

### Overview of the 2023 Asset Allocation Study of Fortune 1000 Pension Plans

Defined benefit (DB) plans sponsored by Fortune 1000 companies entered 2023 with an aggregate funded position of 100.1%, remaining almost unchanged at a level of 99.1% by year-end, stationed at fully funded levels. Throughout the year, discount rates remained relatively stable, though a slight decline contributed to higher pension liabilities as measured by projected benefit obligations (PBOs). On the assets side, positive investment returns helped recover some of the losses from the previous year's market downturn. However, despite a solid performance of the equity market, assets levels stayed nearly unchanged, in part due to the impact of another active year in pension risk transfers and lower-than-usual cash contributions. Overall, fluctuations in interest rates and stock markets balanced each other out, helping to keep funding positions steady. Despite a challenging economic environment and high uncertainty, pension plans remain on a positive trajectory toward full funding, as plan sponsors continue to adjust their financial strategies proactively to protect funding positions by adopting liability-driven investment approaches and diversifying into alternative asset classes.

Equity markets had a strong start in 2024, pushing the financial position of DB plans to an aggregate overfunded level. However, persistent inflation, uncertainty around the Federal Reserve's next moves on interest rates and

the unpredictable effects of international conflicts raised concerns about the sustainability of these gains. The positive first half-of-year returns and discount rate increases pointed toward an overall funding surplus. Yet, market crashes such as the one experienced in August 2024, which was triggered by unexpected policy changes in Japan and concerning economic indicators from the U.S., had the ability to reverse these outcomes significantly. Despite these challenges, the equity markets managed to recover toward the end of the year, driven by solid economic growth, falling inflation and Federal Reserve interest rate cuts. The artificial intelligence boom also contributed to substantial gains in Big Tech stocks, leading the overall market higher. As a result, the Morningstar US Market Index closed out 2024 up more than 24%. The financial position of DB plans remained relatively strong, although the volatility highlighted the importance of cautious optimism and the need for ongoing risk management.

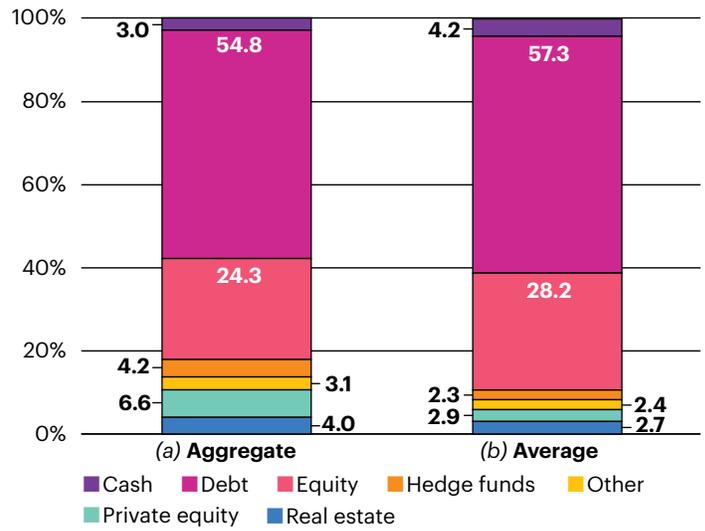
### Analysis highlights

- Over the past 14 years, there has been a steady shift from equities to fixed-income investments, which are predominantly used by pension funds to reduce volatility in pension funded status from interest rates. Looking at a consistent sample, aggregate pension assets allocated to public equities declined by almost 21 percentage points since 2009, while allocations to cash and debt increased by roughly 17 percentage points.
- A strong correlation exists between a pension plan's design status and its asset allocation, with frozen plans

holding more liability-hedging investments compared with closed and open plans. On average, frozen pension plans held roughly 68% of their assets in debt and cash investments versus 53.5% for sponsors of open plans. Additionally, 60% of plans showcasing an increase of more than 10% in debt were frozen. Sponsors with open or closed plans still have ongoing benefits being earned by employees, thus utilizing more growth-oriented investments to help fund those benefit costs.

- Adjusting for plan status, as plans’ funded status nears 100%, sponsors tend to increase allocations to debt. When underfunded, pension plan sponsors tend to hold higher allocations to growth assets to help attain full funding. Sponsors with plans with a funded status greater than 110% at year-end 2023 show an average higher allocation to growth assets, mostly reflecting the higher prevalence of open plans — which tend to hold riskier portfolios — in this funding bucket.
- Between 2022 and 2023, aggregate pension asset holdings to alternative investments (hedge funds, private equity, real estate and others) slightly decreased from 18.9% of assets to 17.9%. Rather than indicating a significant shift in strategy, the allocation to such asset classes reflects the diversifying role these assets play in portfolios, as they are generally less correlated with public equities and debt. Many of these asset classes delivered stronger results in 2024, reinforcing their value in providing stability amid market fluctuations. A clear relationship remains between the scale of a retirement plan and its allocations toward alternative investments. This emphasizes the advantage larger plans possess in accessing greater internal resources, enabling them to implement these strategic investment approaches effectively. While the largest plans allocated more than 19% to alternative investments in aggregate terms,

Figure 1. **Aggregate and average asset class distribution, 2023**



Notes: Cash includes cash equivalents and money market instruments; debt includes insurance contracts, and hedge fund assets include derivatives and interest rate swaps. Source: WTW

smaller plans only held around 5.5% of their portfolios in these investment vehicles by the end of 2023.

### 2023 aggregate and average asset allocations

WTW’s analysis of 2023 fiscal year-end DB plan asset allocations first takes a detailed look at 418 Fortune 1000 plan sponsors’ actual asset holdings at the end of the year.<sup>1</sup>

Figure 1, column a, summarizes aggregate asset allocations weighted by the value of the sponsor’s plan assets and shows total-dollar allocations. As of year-end 2023, the companies in this analysis held more than \$1.5 trillion in pension assets, comprising cash, public equity, debt and alternative investments (real estate, private equity, hedge funds and other).

At year-end 2023, 24.3% of pension assets, in aggregate, were allocated to public equity, and 54.8% were allocated to debt, with the remaining assets spread among the other various categories.

Figure 1, column b, depicts average asset allocations (not weighted by plan assets) for the same sample of companies. The average Fortune 1000 pension plan sponsors in the analysis held on average above \$3.7 billion in assets at year-end 2023.

The average allocation to public equity was 28.2%, while the average debt allocation was 57.3%. As for alternative assets — real estate, private equity, hedge funds and other investments — allocations averaged 10.3% (compared with

<sup>1</sup> The analysis consists of those Fortune 1000 DB plan sponsors reporting under U.S. generally accepted accounting principles, or GAAP, that provided comprehensive asset allocation disclosures in their annual reports.

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aggregate allocations of 17.9%). The difference between the aggregate and the average reflects differences in plan size: Larger plans were more inclined than smaller plans to invest in private equity and other alternatives instead of public equities.

When we considered allocations in real estate, hedge funds and private equity combined as alternative investments, we found that 68% of sponsors in this analysis held alternative assets in their DB plan asset allocation mix. The portion allocated within the different types of alternatives varied by asset class, with private equity's share at 44.7%, hedge funds accounting for 28.4% and real estate 26.9% (Figure 2a). In 2023, roughly half of sponsors that held alternative assets held allocations of more than 10% of their assets in these types of investments (Figure 2b), benefiting from adding higher diversification to their portfolios and reducing exposure to continued volatility across traditional investment markets.

### Changes to asset holdings over 2023

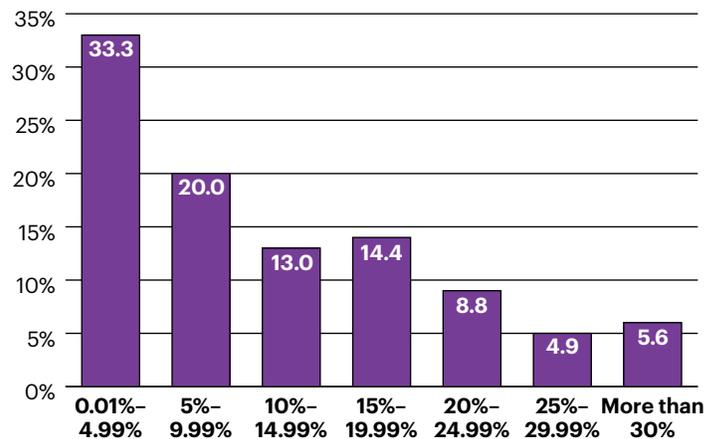
Looking into a consistent sample of 404 plan sponsors, between the end of 2022 and the end of 2023, average allocation to public equity declined by 2.5%, while average debt holdings experienced a similar increase (2.7%) over the period. In addition, the average allocation to alternative assets increased by 2.5%. Plans with a higher allocation to return-seeking assets in 2023 outperformed those more heavily weighted toward fixed income. Specifically, plans with more than 90% of their portfolios in return-seeking assets saw gains of 13.9%, while those with less than 10% allocated to such assets returned 5.2%. Almost 69% of plan sponsors showed an increase in their average allocations to debt, with 12.4% of sponsors showing increases of more than 10% of their holdings. Of these, 60% were frozen plans, reflecting their primary focus shifts from growth to preserving capital

Figure 2a. **Aggregate asset distribution of \$239.9 billion within alternative investments, 2023**



Source: WTW

Figure 2b. **Distribution of companies by allocation to alternative assets, 2023\***



\*For those plans that hold alternatives (68% of sponsors)  
Source: WTW

and managing liabilities. On the other hand, only 2.2% of sponsors realized an increase in their equity holdings over more than 10% (Figure 3).

The increase in debt holdings may be attributed to both a slight drop in interest rates observed at the end of 2023 and the possibility that higher funding levels are triggering or accelerating de-risking strategies, such as glide paths, which reduce equity exposure as the plan moves closer to full funding.

Figure 3. **Average annual changes in equity and debt allocations, 2023**

Change magnitude	Equity allocations*		Debt allocations*	
	% of sponsors realizing a change in their equity allocations	Average change realized in equity allocations	% of sponsors realizing a change in their debt allocations	Average change realized in debt allocations
Increase of over 10%	2.2%	17.1%	12.4%	21.2%
5%–9.9% increase	4.0%	6.8%	4.2%	-7.2%
0.1%–4.9% increase	31.9%	1.7%	22.0%	-1.6%
No change	4.2%	0.0%	1.0%	0.0%
0.1%–4.9% decrease	38.4%	-1.8%	45.0%	2.0%
5%–9.9% decrease	7.2%	-7.2%	11.1%	7.0%
Decrease of over 10%	12.1%	-20.3%	4.2%	-22.5%

\*For those with allocations to debt and equity  
Source: WTW

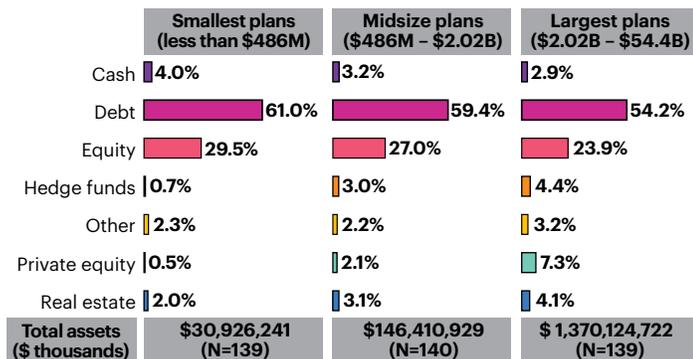
### Asset allocations by plan size

Aggregate and average asset allocations for smaller, midsize and larger plan sponsors are shown in figures 4a and 4b. The analysis divides these sponsors into three groups by total pension assets: Smaller plan sponsors (139 companies) held assets of less than \$486 million; midsize plan sponsors (140 companies) held between \$486 million and \$2.02 billion, and larger plan sponsors (139 companies) held more than \$2.02 billion in assets. The largest sponsor held pension assets worth nearly \$54.4 billion. Weighting smaller, midsize and larger sponsors by plan assets emphasizes the large share of pension assets held by very large plans<sup>2</sup> as well as the pronounced differences in investing behavior between smaller and larger plans (Figure 4a).

Typically, the larger the plan, the lower the allocation to public equity, which averaged 27.3% for larger plans versus 30% for smaller plans (Figure 4b). Smaller plans, however, tend to exhibit a higher allocation to fixed-income assets, prioritizing stability and risk management. Looking at a consistent sample between 2022 and 2023, 20.8% of small plans saw an increase of more than 10% in their fixed-income allocations, with an average change of 25.2%. Larger plans, on the other hand, are more likely to turn to alternative investments, allocating more than

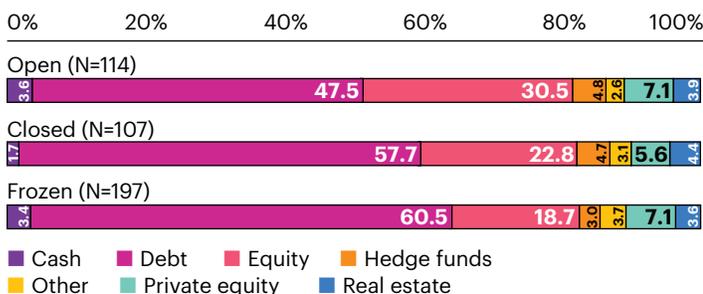
<sup>2</sup> The 10 largest plans held 30.1% of all plan assets.

Figure 4a. Aggregate asset allocations by plan size, 2023



Notes: Cash includes cash equivalents and money market instruments; debt includes insurance contracts, and hedge fund assets include derivatives and interest rate swaps. Source: WTW

Figure 5a. Aggregate asset allocations by plan status, 2023



Notes: Cash includes cash equivalents and money market instruments; debt includes insurance contracts, and hedge fund assets include derivatives and interest rate swaps. Source: WTW

four times as much as smaller plans (13.2% versus 2.9%), which reflects their ability to access different parts of the economic ecosystem and benefit from economies of scale and in-house investment expertise.

### Asset allocations by U.S. plan status

For this part of the analysis, we divided plan sponsors into three mutually exclusive categories by the current status of their primary U.S. pension plan: open, closed to new hires or frozen. Open DB plans are those still offered to newly hired employees, while closed plans stopped being offered to new hires after a fixed date. In frozen plans, benefit accruals have ceased for plan participants. Almost three-quarters of the companies in our analysis sponsored either a closed or a frozen pension plan, while the remaining still offered an open plan.

Figures 5a and 5b show asset allocations by plan status and demonstrate a relationship between the plan's current status and the portfolio's risk profile, with the correlation strongest on an aggregate basis (Figure 5a). In order to maintain a funded position, plan assets must generate returns to meet both interest on liabilities and the cost of benefits earned by employees. Frozen pensions held more debt investments compared with

Figure 4b. Average asset allocations by plan size, 2023

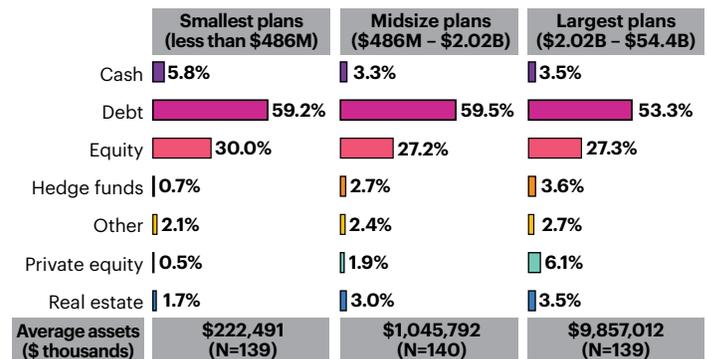
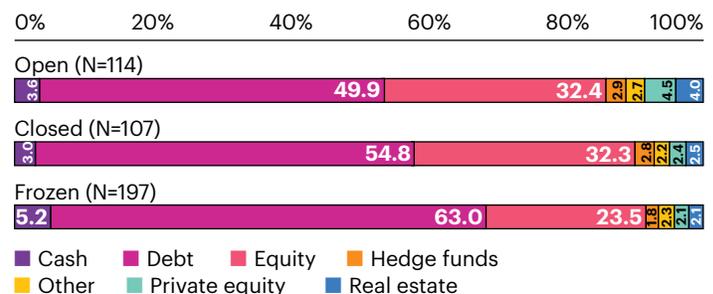


Figure 5b. Average asset allocations by plan status, 2023



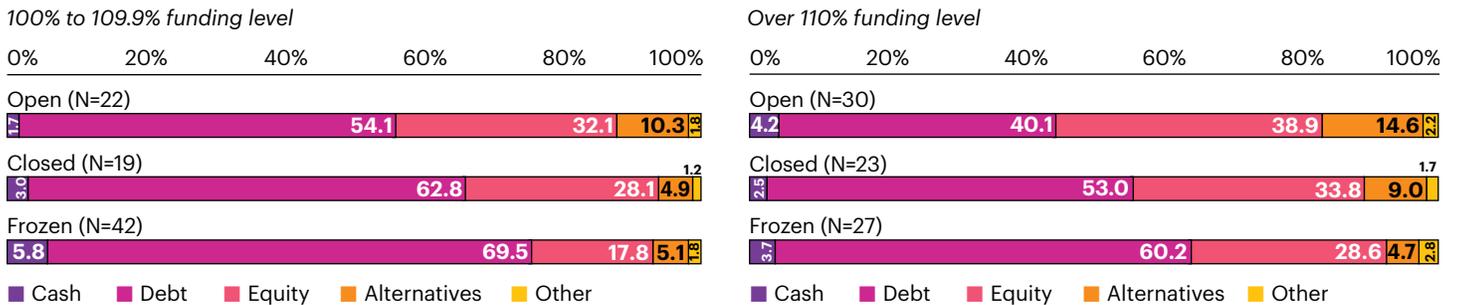
Notes: Cash includes cash equivalents and money market instruments; debt includes insurance contracts, and hedge fund assets include derivatives and interest rate swaps.

Figure 6a. Average asset allocations by plan funded status, 2023

Asset class	Funded status				
	Less than 80%	80%–89%	90%–99%	100%–109.9%	110% or more
Cash	4.5%	4.0%	3.9%	4.1%	3.5%
Debt	52.5%	59.4%	58.7%	63.9%	50.6%
Equity	33.2%	27.0%	25.8%	23.9%	33.9%
Hedge funds	1.6%	2.5%	2.5%	2.1%	2.7%
Other	3.5%	2.2%	2.6%	1.7%	2.3%
Private equity	1.8%	2.3%	3.5%	2.1%	4.2%
Real estate	2.9%	2.6%	3.0%	2.2%	2.8%
N	57	86	111	83	80

Notes: Cash includes cash equivalents and money market instruments; debt includes insurance contracts, and hedge fund assets include derivatives and interest rate swaps.  
Source: WTW

Figure 6b. Average asset allocations by plan status for overfunded plans, 2023



Notes: Cash includes cash equivalents and money market instruments; debt includes insurance contracts, and hedge fund assets include derivatives and interest rate swaps.  
Source: WTW

plans — either open or closed — in which workers were still actively accruing pensions. In aggregate, sponsors of frozen plans held almost 63.9% of their assets in debt and cash versus 51.1% for sponsors of open plans, reflecting the higher return needs for plans where employees still earn additional benefits.

### Asset allocations by funded status

Despite a slight decrease in funding levels, DB plans remained near fully funded in 2023. Discount rates were relatively stable throughout the year, with a slight decline compared with 2022 (which increases obligations and pension deficits). On the other hand, plan sponsors faced positive equity returns, which outperformed fixed-income investments, helping to balance the impact of fluctuating interest rates. While the year was marked by volatility, particularly during the fourth quarter, the overall funded status remained relatively stable as the effects of interest rates and equity market performance largely offset each other.

Our 2023 analysis shows a correlation between funded status at year-end and asset allocations (Figure 6a). As sponsors get closer to full funding levels, their portfolios tend to become more conservative in nature, typically as a result of investment de-risking strategies such as liability-driven investment (LDI) and asset glide paths.<sup>3</sup> Similar to prior years, average fixed-income holdings surpassed equity investments across all funding levels, demonstrating sponsors’ continuous efforts toward de-risking.

Overall, plans tend to become more risk averse as their funded status nears full funding; however, the lower allocation to debt for those with a funding level higher than 110% reflect a higher prevalence of open plans in that grouping, which as previously discussed tend to hold a higher percentage of growth assets compared with their frozen and closed peers. While the samples above are generally composed of about 50% of frozen plans, in the “110% or more” category, only 34% of the plans are frozen.

Figure 6b supports this trend, showing asset allocation differences across open, closed and frozen plans at

<sup>3</sup> LDI strategies typically use fixed-income assets as a hedge against interest-rate-driven movements in plan liabilities. In years when high-quality corporate bond interest rates decline, with corresponding increases in plan obligations, fixed-income assets will typically produce positive returns and vice versa. In a glide path strategy, future target allocations are based on the plan’s funded status or other market factors (such as interest rates), with the sponsor shifting assets from equities to debt as funding levels improve to mitigate risk and volatility.

Figure 6c. Average allocations to debt by funded status and benefit accrual rates, 2023

Accrual rate	Funded status									
	Less than 80%		80%–89%		90%–99%		100%–109%		110% or more	
	N	Debt %	N	Debt %	N	Debt %	N	Debt %	N	Debt %
Less than 0.5%	17	51.8%	31	59.2%	46	66.5%	34	69.9%	31	60.7%
0.5%–1.9%	22	60.2%	39	61.4%	40	57.7%	30	65.9%	27	48.2%
2.0%–2.9%	7	43.3%	11	59.8%	16	46.2%	10	51.0%	15	41.3%
3.0% or more	11	44.3%	5	44.4%	9	45.1%	9	48.7%	7	34.9%
N	57		86		111		83		80	

Source: WTW

overfunding levels. Plans with funding levels between 100% and 109.9% tend to have a higher allocation to debt (especially frozen plans, at 69.5%), reflecting a more conservative stance. Conversely, those plans with funding above 110% exhibit a marked reduction in debt allocations, particularly for open plans, which hold just 40.1% in debt and 38.9% in equity. These trends further emphasize the propensity of open plans to invest more in growth assets, such as equity and alternatives, as their funding levels rise.

Figure 6c depicts the relationship between higher allocations to debt as the plan’s funded status improves, separated by benefit accrual rate.<sup>4</sup> Well-funded plans with lower benefit accrual rates are typically associated with higher allocations to fixed-income assets, while higher accrual rates (reflecting active pensions) correspond with higher allocations to return-seeking assets. Interestingly, even after accounting for benefit accrual rates, plans that are over 110% funded still show higher allocations to return-seeking assets than similar peers — perhaps suggesting that those sponsors have a higher tolerance for risk given the stronger funded position of the plans, linked to a higher prevalence of open plans.

### Pension assets held in company securities

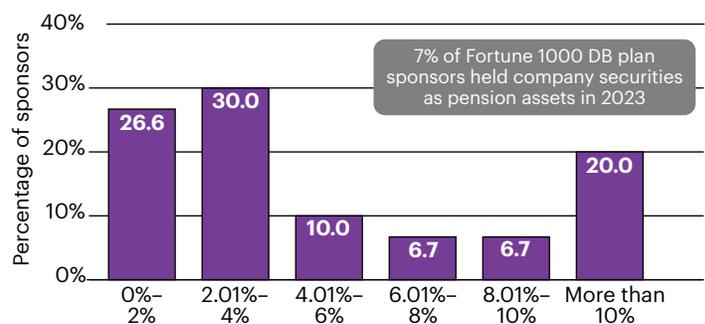
Roughly 7% of Fortune 1000 DB plan sponsors held company securities as pension assets in 2023. These allocations averaged 6.3% of pension assets in 2023 (4.5% when weighted by end-of-year plan assets). The weighted average is lower than the simple average because larger plans allocated lower percentages to company securities than did smaller plans.

In 2023, for those that held company securities, 56.6% held less than 4% of pension assets in company securities, while 20% held more than 10% of pension assets in these funds (Figure 7).<sup>5</sup>

### Trends in allocations since 2009

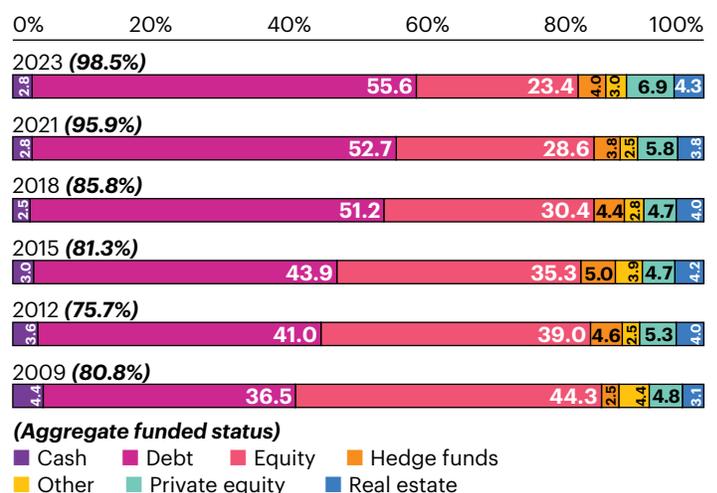
We next track asset allocation trends from the start of our studies in 2009, based on a consistent sample of 174 pension sponsors that have been in the Fortune 1000 over the past 14 years. Figure 8 shows asset allocations for these companies on an aggregate basis for 2009, 2012, 2015, 2018, 2021 and 2023.

Figure 7. Allocations to company stock, 2023



Source: WTW

Figure 8. Aggregate asset allocations by investment class for consistent sample of Fortune 1000 companies (%), 2009, 2012, 2015, 2018, 2021 and 2023



Source: WTW

<sup>4</sup> The accrual rate is the ratio between the pension’s service cost and the year-end PBO.

<sup>5</sup> Sponsors are prohibited from making additional contributions in the form of company stock (without special regulatory exemption) if total employer securities exceed 10% of plan assets.

The shift from equities to fixed-income investments has been consistent throughout the period. Since 2009, aggregate allocations to public equities declined by 20.9%, while allocations to fixed income increased by 19.1%.

### Asset de-risking

Between 2009 and 2023, among a consistent sample of 174 sponsors, the portion of plans whose pensions held 50% or more in cash and fixed-income assets more than tripled, rising from 17% to 70% (Figure 9). The variation in investment allocation strategies has increased over the past decade. By the end of 2023, four out of 10 plan sponsors held more than 70% of their assets in fixed income (a total of 72 sponsors), up from only 3% in 2009 (totaling six sponsors).

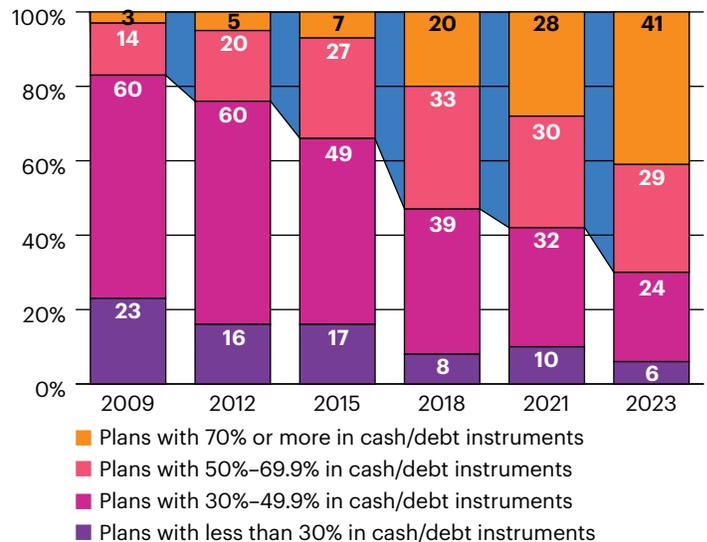
The analysis shows a clear de-risking trend, with plan sponsors focusing more on hedging liabilities and less on generating higher returns. Many sponsors have complemented investment de-risking via asset allocation strategies with other liability-reduction strategies, such as offering lump sum buyouts, purchasing annuities and terminating their plans (although the latter remains fairly uncommon for large pension plans).

### Conclusion

Despite a slight decrease in funding levels throughout 2023, DB plans remained near fully funded, reflecting plan sponsors' continued focus on de-risking strategies and long-term financial stability. Although discount rates stayed relatively stable during the year, a minor decline compared with 2022 led to increased pension liabilities as measured by PBOs. From an asset perspective, equities outperformed fixed-income investments in 2023, resulting in stronger returns for plans with higher allocations to return-seeking assets, while those with larger fixed-income allocations experienced lower volatility but also lower returns.

Throughout 2024, significant market volatility was observed, particularly with the August market crash triggered by unexpected policy changes in Japan and concerning economic indicators from the U.S. Ongoing uncertainties around further interest rate cuts and potential monetary policy shifts by the Federal Reserve

Figure 9. **Prevalence of companies with more than 50% of pension assets in cash/debt instruments for consistent sample of Fortune 1000 companies, 2009, 2012, 2015, 2018, 2021 and 2023**



Source: WTW

added to the volatility. This environment affected fixed-income markets, creating challenges for plan sponsors as they balanced asset growth and liability management. The interest rate cut delivered in the third quarter of 2024 further impacted funding levels by increasing obligations but also raising bond values, helping to stabilize the funded status especially for those adopting liability-driven strategies.

Over the years, many plan sponsors have proactively adjusted their financial management approaches, enhancing portfolio diversification and risk management by increasing allocations to alternative assets. These assets, with their lower correlation to traditional equity and fixed-income investments, have provided higher returns and additional stability.

Whereas Fortune 1000 DB plans have an overall healthy financial position, individual outcomes will depend on each plan's unique funding status, investment strategy and risk tolerance. Looking ahead, sponsors will need to navigate market conditions and policy shifts carefully to protect and optimize their plans' funded positions.

## About the study

The Financial Accounting Standards Board began requiring more detailed pension asset disclosures in 2009. These analyses track asset allocation trends and patterns over time in Fortune 1000 plans. This 15th edition looks at fiscal year-end 2023 global pension allocations by asset class, such as cash, equity, debt and alternatives, as well as by a variety of other attributes of both the assets and the plans.

The analysis is performed on both an aggregate-sponsor (weighted by plan assets) and average-sponsor basis as well as by plan size, plan status (open, frozen or closed) and funded status (defined as the ratio between total fair value of assets over total liabilities on a global basis). We examine the prevalence and amount of pension assets invested in company securities. Finally, we compare asset holdings from 2009 through 2023 for a consistent sample of plan sponsors to examine how plan sponsors have modified their investment strategies over time.

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