

INTERNATIONAL BUSINESS MACHINES CORP
Form 11-K
June 29, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2008

OR

**TRANSITION REPORT PURSUANT TO SECTION 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-2360

A. Full title of the plan and address of the plan, if different from that of the issuer named below:

IBM 401(k) Plus Plan

Director of Compensation and Benefits

IBM

North Castle Drive, M/D 147

Armonk, New York 10504

- B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

INTERNATIONAL BUSINESS MACHINES CORPORATION

New Orchard Road

Armonk, New York 10504

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IBM 401(k) PLUS PLAN

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* Other schedules required by Section 2520.103-10 of the Department of Labor Rules and Regulations for Reporting and Disclosures under the Employee Retirement Income Security Act of 1974 are omitted because they are not applicable.

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SIGNATURE

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: June 29, 2009

By:

IBM 401(k) Plus Plan
/s/ James J. Kavanaugh
James J. Kavanaugh
Vice President and Controller

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Report of Independent Registered Public Accounting Firm

To the Members of the International Business Machines Corporation (IBM) Retirement Plans Committee and the Participants of the IBM 401(k) Plus Plan:

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the IBM 401(k) Plus Plan (the Plan) at December 31, 2008 and 2007, and the changes in net assets available for benefits for the year ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP

New York, NY
June 29, 2009

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AT DECEMBER 31,

	2008	2007
	(Dollars in thousands)	
Assets:		
Investments:		
Investments, at fair value (Note 3)	\$ 26,024,927	\$ 36,078,252
Participant loans	293,132	281,775
Total investments	26,318,059	36,360,027
Receivables:		
Participant contributions	32,850	
Employer contributions	35,084	
Income, sales proceeds and other receivables	30,805	95,223
Total receivables	98,739	95,223
Total assets	26,416,798	36,455,250
Liabilities:		
Payable for collateral deposits	1,520,607	3,592,169
Accrued expenses and other liabilities	33,939	10,353
Total liabilities	1,554,546	3,602,522
Net assets available for benefits	24,862,252	32,852,728
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	499,119	(134,577)
Net assets available for benefits	\$ 25,361,371	\$ 32,718,151

The accompanying notes are an integral part of these financial statements.

Table of Contents**IBM 401(k) PLUS PLAN****STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS****FOR THE YEAR ENDED DECEMBER 31,**

	2008
	(Dollars in thousands)
Additions to net assets attributed to:	
Investment income:	
Net change in fair value of investments (Note 3)	\$ (8,991,749)
Interest income from investments	658,801
Dividends	213,741
	(8,119,207)
Contributions:	
Participants	1,313,337
Employer	1,033,990
	2,347,327
Transfers from other benefit plans, net	112,437
Total additions/(reductions)	(5,659,443)
Deductions from net assets attributed to:	
Distributions to participants	1,672,199
Administrative expenses	25,138
Total deductions	1,697,337
Net decrease in net assets during the year	(7,356,780)
Net assets available for benefits:	
Beginning of year	32,718,151
End of year	\$ 25,361,371

The accompanying notes are an integral part of these financial statements.

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IBM 401(k) PLUS PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE PLAN

The following description of the International Business Machines Corporation (IBM) 401(k) Plus Plan (formerly called the IBM Savings Plan and herein the Plan) provides only general information. Participants should refer to the Plan prospectus (Summary Plan Description) for a complete description of the Plan s provisions.

General

The Plan was established by resolution of IBM s Retirement Plans Committee (the Committee) effective July 1, 1983 and Plan assets are held in trust for the benefit of its participants. The Plan offers all eligible active, full-time and part-time regular and long-term supplemental United States (U.S.) employees of IBM and certain of its domestic related companies and partnerships an opportunity to defer from one to eighty percent of their eligible compensation for before-tax 401(k) and/or Roth 401(k) contributions to any of thirty-two primary investment funds and approximately 200 mutual funds in a mutual fund window. The investment objectives of the primary funds are described in Note 6, Description of Investment Funds. In addition, participants are able to contribute up to ten percent of their eligible compensation on an after-tax basis. (Roth 401(k) and after-tax contributions are not available for employees working in Puerto Rico.) Annual contributions are subject to the legal limits permitted by Internal Revenue Service (IRS) regulations.

Participants are provided the choice to enroll in a disability protection program under which a portion of the participant s account is used to pay premiums to purchase term insurance (underwritten by Metropolitan Life Insurance Company), which will pay the amount of their before-tax 401(k) contributions, matching contributions, automatic contributions and/or Special Savings Awards into their accounts in the event the participant becomes disabled while insured.

At December 31, 2008 and 2007, the number of participants with an account balance in the Plan was 214,594 and 218,701, respectively.

The Plan qualifies under Section 401(a) of the Internal Revenue Code of 1986, as amended, and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

Administration

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The Plan is administered by the Committee, which appointed certain officials of IBM to assist in administering the Plan. The Committee appointed State Street Bank and Trust Company (SSBT), as Trustee, to safeguard the assets of the funds and State Street Global Advisors (SSGA), the institutional investment management affiliate of SSBT,

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The Vanguard Group and other investment managers to direct investments in the various funds. Starting January 1, 2008, Fidelity Investments Institutional Operations Company, Inc. (Fidelity) is the provider of record keeping and participant services, operator of the IBM Employee Services Center for the Plan in Raleigh, North Carolina and the provider of administrative services related to the mutual fund window. In anticipation of the record keeping responsibilities, Fidelity had access to participant records starting December 29, 2007 with data as of December 28, 2007. Communications services were provided by Fidelity as well as The Vanguard Group.

Contributions