

PENSION PLANS

The Company has non-contributory defined benefit pension plans covering the majority of employees. Plans covering salaried and certain hourly employees provide benefits that are generally based on years of service and final average compensation. Benefits for other hourly employees are generally based on years of service. Company policy is to fund at least the minimum amount required by applicable regulations. In the event of a change in control of the Company, excess pension plan assets of North American operations may be dedicated to funding of health and welfare benefits for employees and retirees.

The components of pension expense for the years ended December 31 follow (in millions):

	1995	1994	1993
Service cost - benefits earned during year	\$ (51)	\$ (55)	\$ (42)
Interest cost on projected benefit obligation	(104)	(94)	(97)
Actual return on assets	347	36	155
Net amortization and deferral	(208)	99	(17)
	<u>\$ (16)</u>	<u>\$ (14)</u>	<u>\$ (1)</u>

As a result of the DCBU acquisition, pension expense increased by \$7 million in 1994.

The pension asset (liability), by funded status of the plan, recognized in the balance sheet at December 31 follows (in millions):

	1995		1994	
	Overfunded	Underfunded	Overfunded	Underfunded
Accumulated pension benefit obligation				
Vested	\$1,059	\$ 218	\$ 950	\$ 147
Nonvested	64	29	62	8
	1,123	247	1,012	155
Value of future salary projections	132	10	135	10
Total projected pension benefit obligation	1,255	257	1,147	165
Fair value of plan assets	1,535	146	1,370	70
Plan assets in excess of or (less than) projected benefit obligation	280	(111)	223	(95)
Unamortized				
Initial net (asset) obligation	(34)	10	(40)	7
Net gain	(180)	(6)	(125)	(3)
Prior service cost	11	18	10	15
Adjustment to recognize minimum liability		(12)		(12)
	<u>\$ 77</u>	<u>\$ (101)</u>	<u>\$ 68</u>	<u>\$ (88)</u>

Actuarial assumptions used in the calculation of the pension asset (liability) are as follows:

	1995	1994	1993
Discount rate	7.25%	8.50%	7.25%
Compensation growth rate	4.70%	5.95%	4.95%
Long-term rate of return on plan assets	9.50%	10%	10%

Plan assets are invested in equity and fixed income securities and other instruments. Underfunded plans are associated principally with operations outside the United States. The change in the discount rate to 7.25% at the end of 1995 had the effect of increasing the accumulated pension benefit obligation by \$127 million with an offsetting increase in the unamortized net gain. This change will not have a material effect on future expense.

POSTRETIREMENT BENEFIT PLANS OTHER THAN PENSIONS

Generally, United States employees become eligible for postretirement benefits other than pensions, primarily health care and life insurance, upon retirement. These benefits are payable for life, although the Company retains the right to modify or terminate the plans providing these benefits. The plans are contributory, with retiree contributions adjusted annually, and contain other cost-sharing features, including deductibles and co-payments. Certain plans limit the annual amount of the Company's future contributions towards employees' postretirement health care benefits. Company policy is to pay claims as they are incurred since, unlike pensions, there is no effective method to obtain a tax deduction for prefunding of these benefits under existing United States income tax regulations.

Expense for postretirement benefits other than pensions for the years ended December 31 follows (in millions):

	1995	1994	1993
Service cost - benefits earned during year	\$ (12)	\$ (13)	\$ (7)
Interest cost on projected benefit obligation	(49)	(43)	(37)
Net amortization and deferral	8	5	9
	<u>\$ (53)</u>	<u>\$ (51)</u>	<u>\$ (35)</u>

As a result of the DCBU acquisition, the expense for postretirement benefits other than pensions increased by \$6 million in 1994.

The liability for postretirement benefit plans other than pensions recognized in the balance sheet at December 31 follows (in millions):

	1995	1994
Accumulated postretirement benefit obligation		
Retirees	\$ 442	\$ 382
Eligible plan participants	55	44
Non-eligible plan participants	180	177
Unamortized		
Prior service cost	61	67
Net loss	(125)	(62)
	<u>\$ 613</u>	<u>\$ 608</u>