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

	1994	1993	1992
Service cost - benefits earned during year	$(55)	$(42)	$(39)
Interest cost on projected benefit obligation	(94)	(97)	(96)
Actual return on assets	36	155	203
Net amortization and deferral	99	(17)	(73)
	$(14)	$ (1)	$ (5)

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

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

	1994		1993	
	Over-funded	Under-funded	Over-funded	Under-funded
Accumulated pension benefit obligation				
Vested	$ 950	$ 147	$ 979	$ 136
Nonvested	62	8	53	10
	1,012	155	1,032	146
Value of future salary projections	135	10	143	10
Total projected pension benefit obligation	1,147	165	1,175	156
Fair value of plan assets	1,370	70	1,371	68
Plan assets in excess of or (less than) projected benefit obligation	223	(95)	196	(88)
Unamortized				
Initial net (asset) obligation	(40)	7	(48)	7
Net (gain) loss	(125)	(3)	(116)	3
Prior service cost	10	15	27	12
Adjustment to recognize minimum liability		(12)		(12)
	$ 68	$ (88)	$ 59	$ (78)

Measurement of the projected benefit obligation was based on a discount rate of 8.50%, 7.25%, and 8.25% in 1994, 1993 and 1992, respectively. The expected compensation growth rate was 5.95%, 4.95%, and 5.95% in 1994, 1993 and 1992, respectively. The expected long-term rate of return on assets was 10% in all three years. 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 8.50% at the end of 1994 had the effect of decreasing the accumulated pension benefit obligation by $140 million with an offsetting increase in the unamortized net gain. This change will have an immaterial effect on future expense.

POSTRETIREMENT BENEFIT PLANS OTHER THAN PENSIONS

Generally, employees become eligible for postretirement benefits other than pensions, primarily health care and life insurance for retirees in the United States, when they retire. These benefits are payable for life, although the Company retains the right to modify or terminate the plans providing the benefits. The plans are contributory, with retiree contributions adjusted annually, and contain other cost-sharing features, including deductibles and co-payments. During 1993, certain plans were amended to 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):

	1994	1993	1992
Service cost - benefits earned during year	$(13)	$ (7)	$(12)
Interest cost on projected benefit obligation	(43)	(37)	(44)
Net amortization and deferral	5	9	
	$(51)	$(35)	$(56)

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

	1994	1993
Accumulated postretirement benefit obligation		
Retirees	$382	$368
Eligible plan participants	44	38
Non-eligible plan participants	177	120
Unamortized		
Prior service cost	67	91
Net loss	(62)	(73)
	$608	$544

As a result of the DCBU acquisition, the expense and the liability for postretirement benefits other than pensions increased by $6 million and $51 million, respectively.

Measurement of the accumulated postretirement benefit obligation at December 31, 1994, was based on an 11% annual rate of increase in the per capita cost of covered health care benefits (12% for 1993). For 1994, the rate was assumed to decrease ratably to 7% through 1999 and decrease to 6.25% in 2000 and remain at that level thereafter (5% for 1993). The discount rate was 8.50% in 1994 and 7.25% for 1993. The changes in assumed rates had the effect of decreasing the accumulated postretirement benefit obligation (APBO) which offset increases in the APBO due to changes in plan provisions. These changes will have an immaterial effect on future expense. An increase of 1% in assumed health care cost trend rates would increase the accumulated postretirement benefit obligation as of December 31, 1994 by $39 million and the net periodic cost for 1994 by $3 million.