The components of pension (expense) income are as follows:

Year ended December 31	*1993*	*1992*	*1991*
(Millions of dollars)			
Service cost - benefits earned during year	$(42)	$(39)	$(39)
Interest cost on projected benefit obligation	(97)	(96)	(92)
Actual return on assets	155	203	216
Net amortization and deferral	(17)	(73)	(90)
	$ (1)	$ (5)	$ (5)

The following table sets forth, by funded status, the asset (liability) recognized in the consolidated balance sheets for pension plans:

	1993		*1992*	
December 31	*Over-funded*	*Under-funded*	*Over-funded*	*Under-funded*
(Millions of dollars)				
Accumulated pension benefit obligation				
Vested	$ 979	$ 136	$ 900	$ 101
Nonvested	53	10	57	8
	1,032	146	957	109
Value of future salary projections	143	10	147	14
Total projected pension benefit obligation	1,175	156	1,104	123
alue of plan assets	1,371	68	1,372	40
assets in excess of or (less than) projected benefit obligation	196	(88)	268	(83)
Unamortized amounts not yet recognized				
Initial net (asset) obligation	(48)	7	(63)	8
Net (gain) loss	(116)	3	(198)	(2)
Prior service cost	27	12	34	11
Adjustment to recognize minimum liability		(12)		(8)
	$ 59	$ (78)	$ 41	$ (74)

Measurement of the projected benefit obligation was based on a discount rate of 7.25% in 1993 and 8.25% in 1992 and 1991. The expected compensation growth rate was 4.95% in 1993 and 5.95% in 1992 and 1991. The expected long-term rate of return on assets was 10% in all three years; actual returns during each of these three years exceeded the expected 10% rate. Plan assets were 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 1993 had the effect of increasing the accumulated pension benefit obligation by $103 million with an offsetting decrease 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 these benefits. The plans are primarily contributory, with retiree contributions adjusted annually, and contain other cost-sharing features, including deductibles and co-payments. Effective January 1, 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, with amounts for 1993 and 1992 calculated under SFAS No. 106, is as follows:

Year ended December 31	*1993*	*1992*	*1991*
(Millions of dollars)			
Service cost - benefits earned during year	$ (7)	$(12)	
Interest cost on projected benefit obligation	(37)	(44)	
Amortization of unrecognized prior service cost	9		
Claims incurred and expensed			$(27)
	$(35)	$(56)	$(27)

The liability recognized in the consolidated balance sheets for postretirement benefit plans other than pensions is as follows:

December 31	*1993*	*1992*
(Millions of dollars)		
Accumulated postretirement benefit obligation		
Retirees	$368	$345
Eligible plan participants	38	45
Noneligible plan participants	120	161
Unamortized amounts not yet recognized		
Prior service cost	91	
Net loss	(73)	(5)
	$544	$546

Measurement of the accumulated postretirement benefit obligation at December 31, 1993, was based on a 12% annual rate of increase in per capita cost of covered health care benefits (13% for 1992). For 1993, the rate was assumed to decrease ratably to 5% through 2000 and remain at that level thereafter (6% for 1992). The discount rate was 7.25% in 1993 and 8.5% in 1992. An increase of 1% in assumed health care cost trend rates would increase the accumulated postretirement benefit obligation as of December 31, 1993 by $34 million and the net periodic cost for 1993 by $2 million. The changes in assumed rates had the effect of increasing the accumulated postretirement benefit obligation by $49 million with an offsetting increase in the unamortized net loss. This change will have an immaterial effect on future expense.