During 2012, the Company's postretirement benefits liability adjustment increased by $129 million pre-tax ($92 million after-tax) resulting in a decrease to shareholders' equity. The increase in the liability was primarily due to a decrease in the discount rate, partially offset by actual investment returns greater than expected in 2012.

Pension benefits. The Company's pension plans were underfunded by $1.6 billion in 2012 and $1.8 billion in 2011 and had related accumulated benefit obligations of $5.3 billion as of December 31, 2012 and $5.1 billion as of December 31, 2011.

The Company funds its qualified pension plans at least at the minimum amount required by the Employee Retirement Income Security Act of 1974 and the Pension Protection Act of 2006. For 2013, the Company expects to make minimum required and voluntary contributions totaling approximately $250 million. Future years' contributions will ultimately be based on a wide range of factors including but not limited to asset returns, discount rates, and funding targets.

Components of net pension cost for the years ended December 31 were as follows:

(In millions)	2012	2011	2010
Service cost	$ 3	$ 2	$ 2
Interest cost	198	228	240
Expected long-term return on plan assets	(270)	(267)	(253)
Amortization of:			
Net loss from past experience	58	38	28
Settlement loss	6	-	-
NET PENSION COST	**$ (5)**	**$ 1**	**$ 17**

The Company expects to recognize pre-tax losses of $75 million in 2013 from amortization of past experience. This estimate is based on a weighted average amortization period for the frozen and inactive plans of approximately 28 years, that is based on the average expected remaining life of plan participants.

Other postretirement benefits. Unfunded retiree health benefit plans had accumulated benefit obligations of $294 million at December 31, 2012, and $302 million at December 31, 2011. Retiree life insurance plans had accumulated benefit obligations of $148 million as of December 31, 2012 and $150 million as of December 31, 2011.

Components of net other postretirement benefit cost for the years ended December 31 were as follows:

(In millions)	2012	2011	2010
Service cost	$ 2	$ 2	$ 1
Interest cost	16	20	22
Expected long-term return on plan assets	(1)	(1)	(1)
Amortization of:			
Prior service cost	(12)	(16)	(18)
NET OTHER POSTRETIREMENT BENEFIT COST	**$ 5**	**$ 5**	**$ 4**

The Company expects to recognize in 2013 pre-tax gains of $9 million related to amortization of prior service cost and no pre-tax losses from amortization of past experience. The original amortization period is based on an average remaining service period of active employees associated with the other postretirement benefit plans of approximately 11 years. The weighted average remaining amortization period for prior service cost is approximately 2.5 years.

The estimated rate of future increases in the per capita cost of health care benefits is 7.5% in 2013, decreasing by 0.5% per year to 5% in 2018 and beyond. This estimate reflects the Company's current claim experience and management's estimate that rates of growth will decline in the future. A 1% increase or decrease in the estimated rate would have changed 2012 reported amounts as follows:

(In millions)	Increase	Decrease
Effect on postretirement benefit obligation	$ 12	$ 10

Plan assets. The Company's current target investment allocation percentages (37% equity securities, 30% fixed income, 15% securities partnerships, 10% hedge funds and 8% real estate) are developed by management as guidelines, although the fair values of each asset category are expected to vary as a result of changes in market conditions. The pension plan asset portfolio has continued to include a significant allocation of equity securities, consisting of domestic and international investments, in an effort to earn a higher rate of return on pension plan investments over the long-term payout period of the pension benefit obligations. As funding levels improve, the Company would expect to gradually reduce the allocation to equity securities and move into fixed income to mitigate the volatility in returns, while also providing adequate liquidity to fund benefit distributions. The timing of any updates in allocation is not certain.

As of December 31, 2012, pension plan assets included $3.4 billion invested in the separate accounts of Connecticut General Life Insurance Company ("CGLIC") and Life Insurance Company of North America, that are subsidiaries of the Company, as well as an additional $300 million invested directly in funds offered by the buyer of the retirement benefits business.