

accounting estimate. As a result of this change, net periodic benefit income increased by approximately \$17 million in 2018, compared to what the net periodic benefit income would have been under the previous method.

The expected return on plan assets is a long-term assumption based upon historical experience and expected future performance, considering our current and projected investment mix. This estimate is based on an estimate of future inflation, long-term projected real returns for each asset class, and a premium for active management. Within any given fiscal period, significant differences may arise between the actual return and the expected return on plan assets. Gains and losses resulting from differences between actual experience and the assumptions are determined at each measurement date.

Net periodic pension and postretirement expense (income) was \$93 million in 2020, \$103 million in 2019 and (\$185) million in 2018.

Significant weighted-average assumptions as of the end of the year were as follows:

	2020	2019	2018
Pension			
Discount rate for benefit obligations	2.47%	3.46%	4.15%
Expected return on plan assets	6.01%	6.85%	6.86%
Postretirement			
Discount rate for obligations	2.15%	3.28%	4.06%
Initial health care trend rate	6.25%	6.25%	6.75%
Ultimate health care trend rate	4.50%	4.50%	4.50%

Estimated sensitivities to annual net periodic pension cost are as follows: a 50-basis-point decline in the discount rate would decrease expense by approximately \$9 million and would result in an immediate loss recognition of approximately \$120 million. A 50-basis-point reduction in the estimated return on assets assumption would increase expense by approximately \$10 million. A one-percentage-point increase in assumed health care costs would have no impact on postretirement service and interest cost and would not result in an immediate loss.

Contributions to pension plans were \$2 million in 2020, and \$5 million in 2019 and 2018. Contributions to pension plans are not expected to be material in 2021.

See also Note 11 to the Consolidated Financial Statements for additional information on pension and postretirement benefits.

Income taxes — The effective tax rate reflects statutory tax rates, tax planning opportunities available in the various jurisdictions in which we operate and management's estimate of the ultimate outcome of various tax audits and issues. Significant judgment is required in determining the effective tax rate and in evaluating tax positions. Income taxes are recorded based on amounts refundable or payable in the current year and include the effect of deferred taxes. Deferred tax assets and liabilities are recognized for the future impact of differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases, as well as for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those differences are expected to be recovered or settled. Valuation allowances are established for deferred tax assets when it is more likely than not that a tax benefit will not be realized.

On December 22, 2017, the Act was enacted into law and made significant changes to corporate taxation, including reducing the corporate tax rate from 35% to 21% effective January 1, 2018, and transitioning to a territorial system for taxation on foreign earnings along with the imposition of a transition tax in 2018 on the deemed repatriation of unremitted foreign earnings.

See also Notes 1 and 13 to the Consolidated Financial Statements for further discussion on income taxes.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 2 to the Consolidated Financial Statements for information on recent accounting pronouncements.

CAUTIONARY FACTORS THAT MAY AFFECT FUTURE RESULTS

This Report contains "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect our current expectations regarding our future results of operations, economic performance, financial condition and achievements. These forward-looking statements can be identified by words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "pursue," "strategy," "target," "will" and similar expressions. One can also identify forward-looking statements by the fact that they do not relate strictly to historical or current facts, and may reflect anticipated cost savings or implementation of our strategic plan. These statements reflect our current plans and expectations and are based on information currently available to us. They rely on several assumptions regarding future events and estimates which could be inaccurate and which are inherently subject to risks and uncertainties.