

Obligations and Funded Status

December 31	Pension benefits		Postretirement benefits	
	2004	2003	2004	2003
Change in projected benefit obligation				
Benefit obligation at beginning of year	\$10,268	\$ 9,360	\$ 3,661	\$ 3,661
Service cost	204	194	31	31
Interest cost	617	609	221	237
Amendments	(4)	20	(6)	(31)
Actuarial losses	220	540	276	112
Acquisitions	—	17	—	—
Divestitures	(10)	—	—	—
Benefits paid, net of participants' contributions	(668)	(656)	(355)	(349)
Other transfers, net	46	—	—	—
Exchange rate	78	184	1	—
Projected benefit obligation at end of year	\$10,751	\$10,268	\$ 3,829	\$ 3,661
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 8,386	\$ 7,531	\$ 137	\$ 119
Actual return on plan assets	927	1,254	20	18
Acquisitions	—	20	—	—
Employer contributions	101	87	—	—
Participants' contributions	24	31	—	—
Benefits paid	(676)	(667)	—	—
Administrative expenses	(28)	(17)	—	—
Other transfers, net	27	—	—	—
Exchange rate	39	147	—	—
Fair value of plan assets at end of year	\$ 8,800	\$ 8,386	\$ 157	\$ 137
Funded status				
Unrecognized net actuarial loss	\$ (1,951)	\$ (1,882)	\$ (3,672)	\$ (3,524)
Unrecognized net prior service cost (benefit)	1,912	1,775	1,133	916
	73	160	(7)	(1)
Net amount recognized	\$ 34	\$ 53	\$ (2,546)	\$ (2,609)
Amounts recognized in the Consolidated Balance Sheet consist of:				
Prepaid benefit	\$ 83	\$ 108	\$ —	\$ —
Accrued benefit liability	(1,587)	(1,599)	(2,546)	(2,609)
Intangible asset	53	84	—	—
Accumulated other comprehensive loss	1,485	1,460	—	—
Amount recognized	\$ 34	\$ 53	\$ (2,546)	\$ (2,609)
Amounts attributed to joint venture partners	17	19	38	45
Net amount recognized	\$ 51	\$ 72	\$ (2,508)	\$ (2,564)

Recognition of the subsidy for certain retiree groups as an offset to plan costs resulted in a \$190 reduction in the APBO at December 31, 2003. The reduction in APBO is included with other deferred actuarial gains and losses.

The net periodic benefit cost for postretirement benefits for the year ended December 31, 2004 reflected a reduction of \$24 related to the recognition of the federal subsidy under Medicare Part D. Subsequent net periodic postretirement benefit costs will be adjusted to reflect the lower interest cost due to the lower APBO. To the extent that the deferred gains and losses are outside the corridor, the excess will continue to be recognized as prescribed under FAS 106. For other retiree groups, the

impact of the potential subsidy benefit has not been recorded because those amounts could not be reasonably estimated.

Alcoa has not reflected any changes in participation in the company plan as a result of the Act. The reduction in APBO represents the value of the 28% subsidy and does not reflect any other changes. The subsidy is estimated to reduce the prescription drug portion of the per capita cost by 24%.

Currently, Alcoa pays a portion of the prescription drug cost for certain retirees. The benefits for certain retirees were determined to be actuarially equivalent based on an analysis of Alcoa's existing prescription drug plan provisions and claims experience as compared to the Medicare Part D prescription drug benefit that will be effective in 2006.

Components of Net Periodic Benefit Costs

December 31	Pension benefits			Postretirement benefits		
	2004	2003	2002	2004	2003	2002
Service cost	\$ 204	\$ 194	\$ 176	\$ 31	\$ 31	\$ 25
Interest cost	617	609	593	221	237	224
Expected return on plan assets	(719)	(727)	(776)	(13)	(11)	(11)
Amortization of prior service cost (benefit)	39	38	38	(6)	(32)	(32)
Recognized actuarial loss	61	8	4	46	40	5
Net periodic benefit costs	\$ 202	\$ 122	\$ 35	\$279	\$265	\$211