As discussed in the "Operating (non-GAAP) Earnings" section, we characterize certain retirement-related costs as operating and others as non-operating. Utilizing this characterization, operating retirement-related costs in 2019 were $1,457 million, a decrease of $37 million compared to 2018. Non-operating costs of $615 million in 2019 decreased $957 million year to year, driven primarily by the same factors as above.

### Income Taxes

The continuing operations effective tax rate for 2019 was 7.2 percent, a decrease of 15.9 points versus the prior year. The decrease in the effective tax rate was primarily driven by the following factors:

- A lower charge year to year of 16.5 points from the impacts of U.S. tax reform;
- A charge in 2018 from intercompany payments of 3.4 points; partially offset by
- A lower benefit year to year from audit settlements of 4.4 points.

The operating (non-GAAP) tax rate was 8.5 percent in 2019, an increase of 0.7 points versus 2018, principally driven by the same factors described above, excluding the impacts of U.S. tax reform.

For more information, see note G, "Taxes."

### Earnings Per Share

Basic earnings per share is computed on the basis of the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share is computed on the basis of the weighted-average number of shares of common stock outstanding plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding stock options and stock awards.

| For the year ended December 31: | 2019 | 2018 | Yr.-to-Yr. Percent Change |
|---|---|---|---|
| **Earnings per share of common stock from continuing operations** | | | |
| Assuming dilution | $10.57 | $ 9.51* | 11.1% |
| Basic | $10.63 | $ 9.56* | 11.2% |
| Diluted operating (non-GAAP) | $12.81 | $13.81 | (7.2)% |
| **Weighted-average shares outstanding (in millions)** | | | |
| Assuming dilution | 892.8 | 916.3 | (2.6)% |
| Basic | 887.2 | 912.0 | (2.7)% |

* Includes a charge of $2.0 billion or $2.23 of basic and diluted earnings per share in 2018 associated with U.S. tax reform.

Actual shares outstanding at December 31, 2019 and 2018 were 887.1 million and 892.5 million, respectively. The year-to-year decrease was primarily the result of the common stock repurchase program. The average number of common shares outstanding assuming dilution was 23.5 million shares lower in 2019 versus 2018.

## Financial Position

### Dynamics

At December 31, 2019, we continued to have the financial flexibility to support the business over the long term. Cash, restricted cash and marketable securities at year end were $9,009 million. We continued to manage the investment portfolio to meet our capital preservation and liquidity objectives.

Total assets increased $28,805 million since December 31, 2018. This was primarily due to an increase in goodwill and net intangible assets of $34,104 million, driven by the Red Hat acquisition and an increase of $4,996 million in right-of-use assets recorded as a result of the adoption of the new leasing standard in 2019. This was partially offset by a decline in net receivables of $7,312 million since year-end 2018 levels, primarily due to the wind down of OEM IT commercial financing operations which we announced in February 2019.

Total debt of $62,899 million increased $17,087 million from prior year-end levels primarily to fund the Red Hat acquisition. The commercial paper balance at December 31, 2019 was $304 million, a decrease of $2,691 million from the prior year end. Within total debt, $24,727 million is in support of the Global Financing business which is leveraged at a 9 to 1 ratio. During 2019, we completed bond issuances totaling $25,712 million, with terms ranging from 2 to 30 years, and interest rates ranging from 0.375 to 4.25 percent depending on maturity. We have reduced total debt $10,140 million since the end of the second quarter of 2019. We have consistently generated strong cash flow from operations and continue to have access to additional sources of liquidity through the capital markets and our credit facilities.

Consistent with accounting standards, the company remeasured the funded status of our retirement and postretirement plans at December 31. At December 31, 2019, the overall net underfunded position was $11,090 million, an improvement of $2,043 million from December 31, 2018 driven by higher returns on assets partially offset by lower discount rates and interest costs. At year end, our qualified defined benefit plans were well funded and the required contributions related to these plans and multi-employer plans are expected to be approximately $300 million in both 2020 and 2021. In 2019, the return on the U.S. Personal Pension Plan assets was 14.9 percent and the plan was 107 percent funded at December 31, 2019. Overall, global asset returns were 13.6 percent and the qualified defined benefit plans worldwide were 102 percent funded at December 31, 2019.

During 2019, we generated $14,770 million in cash from operations, a decrease of $477 million compared to 2018. Our free cash flow for 2019 was $11,909 million, an increase of $33 million versus the prior year. See pages 58 and 59 for additional information on free cash flow. We returned $7,068 million to shareholders in 2019, with $5,707 million in dividends and $1,361 million in gross share repurchases. In 2019, we