

On October 26, 2018, the High Court in London in the case of Lloyds Pension Group Trustees Limited v Lloyds Bank PLC, confirmed that the UK defined benefit pension plans are required to equalize pension benefits to take into account unequal guaranteed minimum pension benefits accrued during the period 1990-1997. As a result of this court decision, IBM recorded an increase of \$125 million to the PBO for the IBM UK defined benefit plan, which represents approximately 1 percent of the UK PBO. This amount was recorded as prior service cost in OCI for the year ended December 31, 2018.

Assumptions Used to Determine Plan Financial Information

Underlying both the measurement of benefit obligations and net periodic (income)/cost are actuarial valuations. These valuations use participant-specific information such as salary, age and years of service, as well as certain assumptions, the most significant of which include estimates of discount rates, expected return on plan assets, rate of compensation increases, interest crediting rates and mortality rates. The company evaluates these assumptions, at a minimum, annually, and makes changes as necessary.

The following tables present the assumptions used to measure the net periodic (income)/cost and the year-end benefit obligations for retirement-related benefit plans.

	Defined Benefit Pension Plans					
	U.S. Plans			Non-U.S. Plans		
	2019	2018	2017	2019	2018	2017
Weighted-average assumptions used to measure net periodic (income)/cost for the year ended December 31						
Discount rate	4.10%	3.40%	3.80%	1.85%	1.76%	1.80%
Expected long-term returns on plan assets	5.25%	5.25%	5.75%	4.38%	3.62%	3.77%
Rate of compensation increase	N/A	N/A	N/A	2.18%	2.41%	2.45%
Interest crediting rate	3.60%	2.30%	1.60%	0.30%	0.30%	0.59%
Weighted-average assumptions used to measure benefit obligations at December 31						
Discount rate	3.10%	4.10%	3.40%	1.19%	1.85%	1.76%
Rate of compensation increase	N/A	N/A	N/A	2.60%	2.18%	2.41%
Interest crediting rate	2.70%	3.60%	2.30%	0.28%	0.30%	0.30%

	Nonpension Postretirement Benefit Plans					
	U.S. Plan			Non-U.S. Plans		
	2019	2018	2017	2019	2018	2017
Weighted-average assumptions used to measure net periodic cost for the year ended December 31						
Discount rate	3.90%	3.30%	3.60%	7.48%	7.28%	8.26%
Expected long-term returns on plan assets	N/A	N/A	N/A	8.64%	8.91%	10.47%
Interest crediting rate	3.60%	2.30%	1.60%	N/A	N/A	N/A
Weighted-average assumptions used to measure benefit obligations at December 31						
Discount rate	2.80%	3.90%	3.30%	4.98%	7.48%	7.28%
Interest crediting rate	2.70%	3.60%	2.30%	N/A	N/A	N/A

N/A—Not applicable