We are subject to taxation in the U.S. and various U.S. state, local and foreign jurisdictions. The Internal Revenue Service is currently auditing our 2014 and 2015 tax returns. It is reasonably possible that certain income tax return proceedings will be completed during the next 12 months and could result in a change in our balance of unrecognized tax benefits. The expected impact of any changes would not be material to our consolidated financial statements.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in millions):

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Balance at beginning of year | $ 49 | $ 36 | $ 38 |
| Increases for tax positions taken in the current year | – | 3 | 1 |
| Increases for tax positions taken in prior years | 8 | 3 | 6 |
| Increase for business acquisition | 17 | 25 | – |
| Decreases for tax positions taken in prior years | (1) | (5) | (2) |
| Settlements | (4) | (4) | (2) |
| Decreases from lapse of statute of limitations | (2) | (7) | – |
| Changes due to currency translation | – | (2) | (5) |
| Balance at end of year | $ 67 | $ 49 | $ 36 |

Our liabilities recorded for uncertain tax positions include $63 million at May 31, 2017 and $45 million at May 31, 2016 associated with positions that, if favorably resolved, would provide a benefit to our effective tax rate. We classify interest related to income tax liabilities as interest expense and, if applicable, penalties are recognized as a component of income tax expense. The balance of accrued interest and penalties was $11 million on May 31, 2017 and May 31, 2016. Total interest and penalties included in our consolidated statements of income are immaterial.

It is difficult to predict the ultimate outcome or the timing of resolution for tax positions. Changes may result from the conclusion of ongoing audits, appeals or litigation in state, local, federal and foreign tax jurisdictions, or from the resolution of various proceedings between U.S. and foreign tax authorities. Our liability for uncertain tax positions includes no matters that are individually or collectively material to us. It is reasonably possible that the amount of the benefit with respect to certain of our unrecognized tax positions will increase or decrease within the next 12 months, but an estimate of the range of the reasonably possible changes cannot be made. However, we do not expect that the resolution of any of our uncertain tax positions will have a material effect on us.

# NOTE 13: RETIREMENT PLANS

We sponsor programs that provide retirement benefits to most of our employees. These programs include defined benefit pension plans, defined contribution plans and postretirement healthcare plans.

The accounting guidance related to postretirement benefits requires recognition in the balance sheet of the funded status of defined benefit pension and other postretirement benefit plans, and the recognition in either expense or AOCI of unrecognized gains or losses and prior service costs or credits. We use mark-to-market accounting for the recognition of our actuarial gains and losses related to our defined benefit pension and postretirement healthcare plans as described in Note 1. The funded status is measured as the difference between the fair value of the plan's assets and the projected benefit obligation ("PBO") of the plan.

A summary of our retirement plans costs over the past three years is as follows (in millions):

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Defined benefit pension plans | $ 234 | $ 214 | $ (41) |
| Defined contribution plans | 480 | 416 | 385 |
| Postretirement healthcare plans | 76 | 82 | 81 |
| Retirement plans mark-to-market adjustment | (24) | 1,498 | 2,190 |
| | $ 766 | $ 2,210 | $ 2,615 |

The components of the pre-tax mark-to-market adjustments are as follows (in millions):

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Actual versus expected return on assets | $ (740) | $ 1,285 | $ (35) |
| Discount rate changes | 266 | 1,129 | 791 |
| Demographic assumption experience | 450 | (916) | 1,434 |
| Total mark-to-market (gain) loss | $ (24) | $ 1,498 | $ 2,190 |

### 2017

The actual rate of return on our U.S. Pension Plan assets of 9.6% was higher than our expected return of 6.50% primarily due to a rise in the value of global equity markets in addition to favorable credit market conditions. The weighted average discount rate for all of our pension and postretirement healthcare plans decreased from 4.04% at May 31, 2016 to 3.98% at May 31, 2017. The demographic assumption experience in 2017 reflects an update in mortality tables for U.S. pension and other postemployment benefit plans.