

SIGNIFICANT ASSUMPTIONS

We used the following key assumptions to measure the post-employment benefit obligations and the net benefit plans cost for the DB pension plans and OPEB plans. These assumptions are long-term, which is consistent with the nature of post-employment benefit plans.

FOR THE YEAR ENDED DECEMBER 31	DB PENSION PLANS AND OPEB PLANS	
	2019	2018
Post-employment benefit obligations		
Discount rate	3.1%	3.8%
Rate of compensation increase	2.25%	2.25%
Cost of living indexation rate ⁽¹⁾	1.6%	1.6%
Life expectancy at age 65 (years)	23.2	23.1

(1) Cost of living indexation rate is only applicable to DB pension plans.

FOR THE YEAR ENDED DECEMBER 31	DB PENSION PLANS AND OPEB PLANS	
	2019	2018
Net post-employment benefit plans cost		
Discount rate	4.0%	3.7%
Rate of compensation increase	2.25%	2.25%
Cost of living indexation rate ⁽¹⁾	1.6%	1.6%
Life expectancy at age 65 (years)	23.1	23.2

(1) Cost of living indexation rate is only applicable to DB pension plans.

The weighted average duration of the post-employment benefit obligation is 14 years.

We assumed the following trend rates in healthcare costs:

- an annual increase in the cost of medication of 6.5% for 2019 decreasing to 4.0% over 20 years
- an annual increase in the cost of covered dental benefits of 4%
- an annual increase in the cost of covered hospital benefits of 3.7%
- an annual increase in the cost of other covered healthcare benefits of 4%

Assumed trend rates in healthcare costs have a significant effect on the amounts reported for the healthcare plans.

The following table shows the effect of a 1% change in the assumed trend rates in healthcare costs.

EFFECT ON POST-EMPLOYMENT BENEFITS – INCREASE/(DECREASE)	1% INCREASE	1% DECREASE
Total service and interest cost	4	(3)
Post-employment benefit obligations	110	(95)

SENSITIVITY ANALYSIS

The following table shows a sensitivity analysis of key assumptions used to measure the net post-employment benefit obligations and the net post-employment benefit plans cost for our DB pension plans and OPEB plans.

	CHANGE IN ASSUMPTION	IMPACT ON NET POST-EMPLOYMENT BENEFIT PLANS COST FOR 2019 – INCREASE/(DECREASE)		IMPACT ON POST-EMPLOYMENT BENEFIT OBLIGATIONS AT DECEMBER 31, 2019 – INCREASE/(DECREASE)	
		INCREASE IN ASSUMPTION	DECREASE IN ASSUMPTION	INCREASE IN ASSUMPTION	DECREASE IN ASSUMPTION
Discount rate	0.5%	(75)	69	(1,728)	1,944
Life expectancy at age 65	1 year	38	(39)	945	(972)

POST-EMPLOYMENT BENEFIT PLAN ASSETS

The investment strategy for the post-employment benefit plan assets is to maintain a diversified portfolio of assets invested in a prudent manner to maintain the security of benefits.

The following table shows the target allocations for 2019 and the allocation of our post-employment benefit plan assets at December 31, 2019 and 2018.

ASSET CATEGORY	WEIGHTED AVERAGE TARGET ALLOCATION	TOTAL PLAN ASSETS FAIR VALUE	
	2019	DECEMBER 31, 2019	DECEMBER 31, 2018
Equity securities	0%–40%	22%	20%
Debt securities	60%–100%	62%	64%
Alternative investments	0%–50%	16%	16%
Total		100%	100%