Date: **January 2020**
To: **The Aerospace Employees' Retirement Plan (AERP) Participants**
From: Plan Administrator
Subject: **The Aerospace Employees' Retirement Plan Funding Notice**

No Impact on Your Accrued Benefits
Active Employees: This has no impact on your ongoing annual pension benefit accrual.
Retirees and Beneficiaries: If you are currently receiving benefits from the Plan, your benefits have not changed. Those benefits will continue to be paid to you.

The Pension Protection Act (PPA), enacted in 2006, requires sponsors of defined benefit pension plans, such as The Aerospace Employees' Retirement Plan, to provide plan participants with certain information about the funded status of their plan. The attached ***"Annual Funding Notice for The Aerospace Employees' Retirement Plan"*** meets this annual requirement. This cover memo should help you better understand the Funding Notice. Before reviewing the Notice, it is helpful for you to have some context for the information it includes. This cover memo should help you better understand the Funding Notice.

This Notice is *not* a notice of any intention on the part of The Aerospace Corporation (Company) to change the way your benefits accrue under the Plan.

Understanding the Annual Funding Notice

Defined benefit plans are designed to provide a plan's participants with a benefit at retirement based on the plan's formula. In order to ensure sufficient funds exist to pay for these future retirement benefits, the Company makes contributions to a trust fund and that money is set aside for Plan benefits and invested based on established investment guidelines. The Plan's funding policy is outlined in the attached Notice. The timing of contributions is determined by federal guidelines and based on how much is in the trust (assets) and future obligations for benefits (liabilities).

The asset and liability measures used to determine the company's annual contribution to the Plan for 2016, 2017 and 2018 are summarized in the "*Funding Target Attainment Percentage"* section on page 2 of the Notice. These values are as of October 1 of the respective year.

As you can see, our Plan trust was at least 80% funded as of October 1, 2018. Generally, while a plan is at least 80% funded, it is not subject to restrictions under the Pension Protection Act on its ability to pay or accrue benefits.

Near the top of page 3 of the Notice, you will see the "Year-End Assets and Liabilities" section. This section shows total Plan assets and liabilities as of September 30, 2019. The year-end amounts are rough estimates as the Plan's actuary has not completed the current year actuarial valuation. The actual 2019 Funding Target Attainment Percentage will be shown in next year's Notice.

If you have any questions about this notice, please contact Employee Benefits at 2310 East El Segundo Blvd., M3/433, El Segundo, CA 90245-4609.

Reminder: No Impact on Your Accrued Benefits

Active Employees: This has no impact on your ongoing annual pension benefit accrual.

Retirees and Beneficiaries: If you are currently receiving benefits from the Plan, your benefits have not changed. Those benefits will continue to be paid to you.

Pension Estimator Available

If you have not begun collecting your pension from the AERP, you may generate an estimate, educate yourself about your AERP benefit, model various retirement scenarios, and identify shortfalls as well as possible solutions at https://www.aeroretirement.com.

SUPPLEMENT TO ANNUAL FUNDING NOTICE FOR THE AEROSPACE EMPLOYEES' RETIREMENT PLAN (PLAN) FOR PLAN YEAR BEGINNING OCTOBER 1, 2018 AND ENDING SEPTEMBER 30, 2019 (PLAN YEAR)

This is a temporary supplement to your annual funding notice which is required by the Moving Ahead for Progress in the 21st Century Act (MAP-21), the Highway and Transportation Funding Act of 2014 (HATFA ’14), and the Bipartisan Budget Act of 2015 (BBA 2015). These federal laws changed how pension plans calculate their liabilities. The purpose of this supplement is to show you the effect of these changes. Prior to 2012, pension plans determined their liabilities using a two-year average of interest rates. Now pension plans also must take into account a 25-year average of interest rates. This means that interest rates likely will be higher and plan liabilities lower than they were under prior law. As a result, the Corporation may contribute less money to the plan at a time when market interest rates are at or near historical lows.

The “Information Table” compares the impact of using interest rates based on the 25-year average (the “adjusted interest rates”) and interest rates based on a two-year average on the Plan’s: (1) Funding Target Attainment Percentage, (2) Funding Shortfall, and (3) Minimum Required Contribution. The funding target attainment percentage is a measure of how well the plan is funded on a particular date. The funding shortfall is the amount by which liabilities exceed net plan assets. The minimum required contribution is the amount of money an employer is required by law to contribute to a plan in a given year. The following table shows this information determined with and without the adjusted interest rates. The information is provided for the Plan Year and for each of the two preceding plan years, if applicable.

INFORMATION TABLE						
	Plan Year Beginning October 1, 2018		Plan Year Beginning October 1, 2017		Plan Year Beginning October 1, 2016	
	With Adjusted Interest Rates*	Without Adjusted Interest Rates	With Adjusted Interest Rates*	Without Adjusted Interest Rates	With Adjusted Interest Rates*	Without Adjusted Interest Rates
Funding Target Attainment Percentage	88.63%	80.81%	94.75%	86.67%	94.64%	85.98%
Funding Shortfall	$260,835,834	$482,955,026	$113,111,751	$314,113,143	$108,980,058	$313,946,089
Minimum Required Contribution	$43,672,113	$76,136,922	$57,755,714	$93,913,523	$55,382,607	$92,110,377

Adjusted by MAP-21 and HAFTA ’14 interest rates

ANNUAL FUNDING NOTICE
FOR
THE AEROSPACE EMPLOYEES' RETIREMENT PLAN (AERP)

Introduction

This notice includes important funding information about your pension plan ("the Plan"). This notice also provides a summary of federal rules governing the termination of single-employer defined benefit pension plans and of benefit payments guaranteed by the Pension Benefit Guaranty Corporation (PBGC), a federal agency. This notice is for the plan year beginning October 1, 2018 and ending September 30, 2019 ("Plan Year").

Funding Target Attainment Percentage

The funding target attainment percentage of a plan is a measure of how well the plan is funded on a particular date. This percentage for a Plan Year is obtained by dividing the Plan's Net Assets by Plan Liabilities on the Valuation Date. In general, the higher the percentage, the better funded the plan. The Plan's funding target attainment percentage for the Plan Year and the two preceding Plan Years is shown in the chart below, along with a statement of the value of the Plan's assets and liabilities for the same period.

FUNDING TARGET ATTAINMENT PERCENTAGE			
	2018	**2017**	**2016**
1. Valuation Date	October 1, 2018	October 1, 2017	October 1, 2016
2. Plan Assets			
a. Total Plan Assets	2,150,013,479	2,159,117,768	2,043,965,070
b. Funding Standard Carryover Balance	0	0	0
c. Prefunding Balance	115,509,337	115,504,402	117,170,209
d. Net Plan Assets (a) – (b) – (c) = (d)	2,034,504,142	2,043,613,366	1,926,794,861
3. Plan Liabilities	2,295,339,976	2,156,725,117	2,035,774,919
4. Funding Percentage before Credit Balance Subtraction (2a)/(3)	**93.66%**	**100.11%**	**100.40%**
5. Funding Target Attainment Percentage (2d)/(3)	**88.63%**	**94.75%**	**94.64%**

Credit Balances

Credit balances were subtracted from the Plan's assets before calculating the funding target attainment percentage in the chart above. While pension plans are permitted to maintain credit balances (called "funding standard carryover balance" or "prefunding balance") for funding purposes, such credits may not be taken into account when calculating a plan's funding target attainment percentage. A plan might have a credit balance, for example, if in a prior year an employer made contributions at a level in excess of the minimum level required by law. Generally, the excess payments are counted as "credits" and may be applied in future years toward the minimum level of contributions a plan sponsor is required by law to make to the plan in those years. Although credit balances are subtracted from plan assets for purposes of calculating the funding target attainment percentage, the amounts that make up the credit balance remain a part of the Plan's actual assets that are available to pay benefits.

Year-End Assets and Liabilities

The asset values in the chart above are measured as of the first day of the Plan Year. As of September 30, 2019, the fair market value of the Plan's assets was $2,135,204,561. On this same date, the Plan's liabilities were estimated to be $2,573,000,000. The year-end amounts are rough estimates as the Plan's actuary has not completed the current year actuarial valuation.

Participant Information

The total number of participants in the Plan as of the Plan's valuation date was 9,112. Of this number, 3,972 were active participants, 3,495 were retired or separated from service and receiving benefits, 986 were retired or separated from service and entitled to future benefits, and 659 were deceased participants whose beneficiaries are receiving or are entitled to receive benefits.

Funding & Investment Policies

The law requires that every pension plan have a procedure for establishing a funding policy to carry out the plan objectives. A funding policy relates to the level of contributions needed to pay for promised benefits. The funding policy of the Plan's sponsor is to contribute an amount each year to the Plan equal to the greater of (i) the assignable cost less prepayment credits from the prior year, if any, as determined under Cost Accounting Standard 412 or (ii) the minimum required contribution, as determined under ERISA.

Once money is contributed to the Plan, the money is invested by Plan officials called fiduciaries who invest the Plan's assets in accordance with the Plan's investment policy. Generally speaking, an investment policy is a written statement that provides fiduciaries who are responsible for investing Plan assets, with guidelines as to the types of investments they may invest in. Some degree of investment risk is necessary to meet the expectation that performance will be better than the rate of inflation over the long-term.

The Plan's assets were allocated among the following categories of investments, as of the end of the Plan Year. These allocations are percentages of total assets:

ASSET ALLOCATIONS	PERCENTAGE
Stocks	46.6%
Investment grade debt instruments	44.0%
High-yield debt instruments	2.8%
Real estate	4.1%
Other	2.5%

Right to Request a Copy of the Annual Report

A pension plan is required to file with the US Department of Labor an annual report (i.e. Form 5500) containing financial and other information about the plan. Copies of the annual report are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling 202 693 8673. Or you may obtain a copy of the Plan's annual report by making a written request to the plan administrator, Dave Roberts at 2310 East El Segundo Boulevard, M1/059, El Segundo, CA 90245- 4609.

Summary of Rules Governing Termination of Single-Employer Plans

Employers can end a pension plan through a process called "plan termination." There are two ways an employer can terminate its pension plan. The employer can end the plan in a "standard termination" but only after showing the PBGC that the plan has enough money to pay all benefits owed to participants. The plan must either purchase an annuity from an insurance company (which will provide you with lifetime benefits when you retire) or, if your plan allows, issue one lump-sum payment that covers your entire benefit. Before purchasing your annuity, your plan administrator must give you advance notice that identifies the insurance company (or companies) that your employer may select to provide the annuity. The PBGC's guarantee ends when your employer purchases your annuity or gives you the lump-sum payment.

If the plan is not fully-funded, the employer may apply for a distress termination if the employer is in financial distress. To do so, the employer must prove to a bankruptcy court or to the PBGC that the employer cannot remain in business unless the plan is terminated. If the application is granted, the PBGC will take over the plan as trustee and pay plan benefits, up to the legal limits, using plan assets and PBGC guarantee funds.

Under certain circumstances, the PBGC may take action on its own to end a pension plan. Most terminations initiated by the PBGC occur when the PBGC determines that plan termination is needed to protect the interests of plan participants or of the PBGC insurance program. The PBGC can do so if, for example, a plan does not have enough money to pay benefits currently due.

Benefit Payments Guaranteed by the PBGC

If a single-employer pension plan terminates without enough money to pay all benefits, the PBGC will take over the plan and pay pension benefits through its insurance program. Most participants and beneficiaries receive all of the pension benefits they would have received under their plan, but some people may lose certain benefits that are not guaranteed.

The PBGC pays pension benefits up to certain maximum limits. The maximum guaranteed benefit is $5,607.95 per month, or $67,295.40 per year, payable in the form of a straight life annuity, for a 65-year-old person in a plan that terminates in 2019.The maximum benefit may be reduced for an individual who is younger than age 65. The maximum benefit will also be reduced when a benefit is provided to a survivor of a plan participant.
The PBGC guarantees "basic benefits" earned before a plan is terminated, which includes:

- pension benefits at normal retirement age;
- most early retirement benefits;
- annuity benefits for survivors of plan participants; and
- disability benefits for a disability that occurred before the date the plan terminated

The PBGC does not guarantee certain types of benefits:

- The PBGC does not guarantee benefits for which you do not have a vested right when a plan terminates, usually because you have not worked enough years for the employer.
- The PBGC does not guarantee benefits for which you have not met all age, service, or other requirements at the time the plan terminates.
- Benefit increases and new benefits that have been in place for less than one year are not guaranteed. Those that have been in place for less than five years are only partly guaranteed.
- Benefits other than pension benefits, such as health insurance, life insurance, death benefits, vacation pay, or severance pay, are not guaranteed.
- The PBGC generally does not pay lump sums exceeding $5,000.

Even if certain benefits are not guaranteed, participants and beneficiaries still may receive some of those benefits from the PBGC depending on how much money the terminated plan has and how much the PBGC collects from the employer.

Where to Get More Information

For more information about this notice, you may contact Employee Benefits at 2310 East El Segundo Boulevard, M3/433, El Segundo, CA 90245-4609 or call (310) 336-5107. For identification purposes, the official plan number is 001 and the plan sponsor's employer identification number or "EIN" is 95-2102389. For more information about the PBGC and benefit guarantees, go to PBGC's website, www.pbgc.gov, or call PBGC toll-free at 1-800-400-7242 (TTY/TDD users may call the Federal relay service toll free at 1-800-877-8339 and ask to be connected to 1-800-400-7242).

Glossary of Terms Used in the AERP Annual Funding Notice

Bipartisan Budget Act of 2015 (BBA 2015) – This law, in effect on November 2, 2015, updates the HATFA ’14 (see below) funding stabilization provisions. The funding corridor will remain at 10% through the 2020 plan year.

Current Liabilities – It is the pre-2008 present value of plan benefits earned at the beginning of the Plan Year determined on an IRS-prescribed interest and mortality assumptions.

Credit Balance– This is the cumulative contributions, including interest, in excess of minimum required contribution under ERISA.

Fair Market Value of Assets – See “Plan Assets”.

Funding Standard Account Carryover Balance (COB) – This is the credit balance attributable to pre-2008 excess contributions. Carryover balances have advantages over prefunding balances in that carryover balances are not deducted from assets for certain funding percentages (eligibility to use credits and exemption from shortfall amortization bases). However, carryover balances must be used or waived before prefunding balances are used or waived.

Funding Target Attainment Percentage (FTAP) – This is a measure of the plan’s funded status. It is the percentage of Net Plan Assets over the Plan Liabilities.

Funding Target – This is the present value of plan benefits earned at the beginning of the Plan Year. It is determined based on IRS-prescribed interest and mortality assumptions.

Highway and Transportation Funding Act of 2014 (HATFA’14) – This law, in effect on August 8, 2014, extends the MAP-21 (see below) funding stabilization provisions through 2020. The corridor remains at 10% through the 2017 plan year and widens to 15% in 2018, 20% in 2019, 25% in 2020 and 30% for plan years thereafter.

Moving Ahead for Progress in the 21th Century Act (MAP-21) – This law, in effect on July 6, 2012, stabilizes the segment rates for plan years beginning in 2012. Under the new law, each segment interest rate is limited to be within 10% of the 25-year average segment rate for the 2012 plan year. The corridor widens to 15% in 2013, 20% in 2014, 25% in 2015 and 30% for plan years thereafter.

Net Plan Assets – These are the Plan Assets minus the Funding Standard Account Carryover Balance and Prefunding Balances.

Plan Assets – This figure represents the fair value of plan assets. Receivable contributions are discounted back to the valuation date at the prior year effective interest rate.

Plan Liabilities – See “Funding Target”.

Plan Year – It is the period from October 1 through September 30 of the following year.

Prefunding Balance (PFB) – This is the credit balance attributable to post-2007 excess contributions which the sponsor has elected to add to the PFB. This balance was $0 at the beginning of 2008.