

AEROSPACE EMPLOYEES' RETIREMENT PLAN (AERP)

**Employees Who Hired Before January 1, 1993 and Who Do Not Participate In
The Combined Retirement Program – AERP 1**

Revised: 02/01/2017

**Aerospace Employees'
Retirement Plan for
Employees Hired Before January 1, 1993 Who Do Not Participate In The
Combined Retirement Program - AERP 1**

Introduction..... 1

Effective Date 1

Eligibility 1

- Participation 1
- Plan Year..... 2

Vesting 2

- Eligibility 2
- Vesting in Optional Contributions 2
- Break in Service 2
- Reduction in Force 3

Explanation of Benefits..... 3

- Fixed Benefit..... 3
- Variable Benefit 3

How Benefits Are Accrued..... 3

- Eligible Compensation..... 3
- Integration Level..... 4
- Annual Fixed Benefit Accrual 6
- Variable Benefit Accrual 7
- Monthly Benefits 7
- Benefit Payments During Retirement 7
- COLA and Unit Value Changes During Retirement 8
- Prorating of Benefits for Partial Years..... 8
- Limitations on Benefits..... 8
- Casual and Temporary Employee Status as of Each September 30 8
- Leave of Absence..... 8
- Long Term Disability (LTD) 9

Collecting Benefits..... 9

- General..... 9
- Early Retirement Reduction..... 9
- Reemployment After Retirement..... 11

Vested Terminees..... 11

Forms of Payment Options 13

- Normal Payment Methods 13
- Other Payment Methods 13

Applying for Benefits 14

- Procedure 14

Preretirement Survivor Annuity (PRSA)	14
▪ Eligibility	14
▪ Benefit Amount.....	15
▪ Cost of Coverage.....	15
Optional Contributions.....	15
▪ Vesting in Optional Contributions	15
▪ Withdrawals of Optional Contributions.....	15
▪ If You Die	16
▪ Quarterly Statement	16
Survivors' Income Benefit (SIB).....	16
▪ Eligibility	16
▪ Cost of SIB Coverage	16
▪ What this AERP Feature Provides.....	17
▪ Who Will Receive SIB Benefits?	17
▪ When Do SIB Benefits Stop?	18
▪ How this AERP Feature Works	18
▪ SIB Coverage Will End	18
Choices After Retirement	19
▪ Portfolio A Benefit.....	19
▪ Alternate Variable Benefit	20
Qualified Domestic Relations Orders (QDRO)	20
Other Information	25
▪ AERP Continuation	25
▪ AERP Termination.....	25
▪ Pension Benefit Guaranty Corporation (PBGC).....	27
Administrative Facts	28
▪ Plan Administrator	28
▪ Funding/Trustee	28
▪ Service of Process.....	28
▪ Employer Identification Number and Plan Number	28
▪ Benefit Denials.....	28
▪ Appealing a Benefit Denial.....	28
▪ General Information.....	29
▪ Amendment, Change, Modification, or Termination of Plan	29
Your ERISA Rights	30
▪ Receive Information About the AERP and Benefits	30
▪ Prudent Actions by AERP Fiduciaries.....	31
▪ Enforce Your Rights	31
▪ Assistance with Your Questions	31

Introduction

This document is a Summary Plan Description (SPD) describing the provisions of the Aerospace Employees' Retirement Plan (AERP), a defined benefit pension plan qualified under the provisions of Internal Revenue Code (IRC) Section 401(a), that are relevant for those Participants who are considered AERP 1 Participants (as defined below). The relevant provisions for those Participants who are considered AERP 2 Participants (as defined below) are set forth in a separate SPD. The AERP is designed to provide a monthly income benefit from a combination of fixed and variable benefits during your retirement years. The Aerospace Corporation (Aerospace) pays the full cost of the retirement income benefit provided under the AERP; you are not required to make contributions. Before April 1, 2003, however, you may have made optional contributions to supplement Aerospace's contributions.

Effective Date

The effective date of this SPD is October 1, 2005. Certain provisions described in this document may not apply to Participants who terminated employment before the effective date.

Eligibility

All employees – and only those employees - who were actively employed as current AERP Participants as of September 30, 2005 and who did *not* elect then to switch to the new Combined Retirement Program (CRP) will participate in the AERP as “AERP 1 Participants.” Employees hired or rehired on or after April 1, 2005 and employees hired before that date who elected to switch to the CRP will participate in the AERP as “AERP 2 Participants.” Employees who were originally hired before January 1, 1993 but rehired after December 31, 1992, and AERP 2 Participants who were participants in the AERP as of September 30, 2005 and elected to switch to the CRP, may have prior benefit accruals in the AERP.

Participation

The following summarizes the rules about participation in the AERP as an AERP 1 Participant:

- If you were hired for the first time on or before January 15, 1961, participation in the AERP began on the first day of the month after your original hire date.
- If you transferred to Aerospace from Space Technology Laboratories (STL), participation in the AERP began on the first day of the month after your original hire date with Aerospace, provided you became employed by Aerospace within 30 days from your date of termination from STL.

- If you were hired for the first time on or after January 16, 1961 but before January 1, 1976, participation in the AERP began on the first day of the month after completing 12 consecutive months of service, beginning with your original hire date.
- If you were hired for the first time on or after January 1, 1976 but before January 1, 1986, participation in the AERP began on the first day of the month after the twelfth month from original hire date after having accrued 1,000 hours during the 12 consecutive months of service beginning with your original hire date.
- If you were hired for the first time on or after January 1, 1986, participation in the AERP began on the first day of the month after completing 12 consecutive months of service, beginning with your original hire date.
- If you terminate employment and are rehired, contact the Employee Benefits office regarding your specific benefits.

Benefits are accrued for each Plan Year from the date of your participation in the AERP.

Plan Year

A Plan Year begins October 1 of each year and ends on the following September 30.

Vesting

Eligibility

If you have an hour of service on or after October 1, 2011, you are fully vested in your AERP benefit when you have completed three years of service. Other vesting rules apply if you terminated before October 1, 2011. “Vested” means you have a nonforfeitable right to your accrued benefits. “Service” is the period of your employment, including breaks in service if they are less than one year.

Completed Years of Service	Percent Vested
0–2	0
3+	100

Vesting in Optional Contributions

You are always 100 percent vested in your own contributions and earnings.

Break in Service

If you terminate employment and are not vested, your accrued benefit and years of service will be forfeited. Your accrued benefit and years of service may be restored if you are later rehired by Aerospace. Generally, you must return to employment with Aerospace before the fifth anniversary of the date of your termination.

Reduction in Force

If a reduction-in-force occurs, the affected AERP Participants shall become 100% vested in their accrued retirement benefits.

Explanation of Benefits

Aerospace provides you with a Retirement Plan Benefit, which is composed of a Fixed Benefit and a Variable Benefit (or an Alternate Variable Benefit or a Portfolio A Benefit).

Fixed Benefit

The Fixed Benefit defines a specific dollar income during your retirement based on your salary and length of service. This benefit may be increased up to two percent annually each January 1, by a cost-of-living adjustment (COLA) that depends on changes in the consumer price index during the Plan Year ending the preceding September 30. This adjustment applies to the Fixed Benefit only.

Variable Benefit

The Variable Benefit consists of a portfolio of diversified investments and is expressed in terms of units rather than dollars. Retirement income from this fund depends on annual fund performance, your salary, and length of service. Benefits from this fund fluctuate with the market value of the portfolio of investments both before and after retirement.

How Benefits Are Accrued

Benefits are accrued for each Plan Year from the date of your participation in the AERP. Although as discussed later in this SPD, you may elect to receive your AERP benefit in one of several forms, the following illustrations of the determination of your accrued benefit reflect distribution in the form of a single life annuity as defined on page 13 of this SPD.

Eligible Compensation

For purposes of the AERP, your Eligible Plan Compensation is the compensation paid to you during the Plan Year (while a Participant). This compensation includes base pay, variable pay such as performance recognition payments, lump-sum payments made by the Company in lieu of merit raises, and awards. It is not reduced by the amount of pre-tax contributions to the 403(b) plan or Section 125 (medical, dental, vision, or flexible spending account) deductions. It also includes amounts paid while on short-term disability from the state of California or other insurance carrier. It does not include compensation for extended workweek, overtime, or shift differentials, missed break payments, meal payments, or penalty pay if a nonexempt employee's lunch break is less than 30 minutes.

The Internal Revenue Service (IRS) places limits on the amount of compensation that can be taken into account for purposes of determining benefits under the AERP. For the Plan Year beginning October 1, 2010, the limit is \$245,000. This limit may be adjusted for future years to reflect cost-of-living increases.

Integration Level

Your benefit accrual for each Plan Year is based on your Eligible Plan Compensation for the Plan Year and the Integration Level for that Plan Year. A higher accrual rate is provided above the Integration Level to coordinate with Social Security benefits that are weighted toward lower compensation levels. The Integration Level for AERP 1 Participants is fixed at \$9,600 for all Plan Years.

Annual Fixed Benefit Accrual

You accrue benefits for each Plan Year in which you participate in the AERP. Your annual Fixed Benefit accrual has two parts:

Base accrual: 0.5% of your Eligible Compensation up to the Integration Level plus

Excess accrual: 1.0% of Eligible Plan Compensation in excess of the Integration Level.

EXAMPLE: If your Eligible Plan Compensation is \$80,000 for the 2010 Plan Year, your Annual Fixed Benefit Accrual will be:

Integration Level		\$9,600
Compensation up to Integration Level		\$9,600
Compensation in excess of Integration Level	$\$80,000 - \$9,600 =$	\$70,400
A) Base accrual:	$0.5\% \times \$9,600 =$	\$48.00
B) Excess accrual:	$1.0\% \times \$70,400 =$	\$704.00
C) Total Annual Fixed Benefit Accrual (A + B)	$\$48.00 + \$704.00 =$	\$752.00

Table 1 is a summary of fixed benefit accrual during full years of participation.

Table 1
Annual Fixed Benefit Accrual – AERP 1

Years of Service	Plan Annual Salary ¹	Integration Level	Annual Fixed Benefit Accrual	Cost of Living Increase ²	Accumulated Annual Fixed Benefit (End of Plan Year)
1	\$80,000	\$9,600	\$752.00	\$0.00	\$752.00
2	83,200	9,600	784.00	15.04	1,551.04
3	86,528	9,600	817.28	31.02	2,399.34
4	89,989	9,600	851.89	47.99	3,299.22
5	93,589	9,600	887.89	65.98	4,253.09
6	97,333	9,600	925.33	85.06	5,263.48
7	101,226	9,600	964.26	105.27	6,333.01
8	105,275	9,600	1,004.75	126.66	7,464.42
9	109,486	9,600	1,046.86	149.29	8,660.57
10	113,865	9,600	1,090.65	173.21	9,924.43
11	118,420	9,600	1,136.20	198.49	11,259.12
12	123,157	9,600	1,183.57	225.18	12,667.87
13	128,083	9,600	1,232.83	253.36	14,154.06
14	133,206	9,600	1,284.06	283.08	15,721.20
15	138,534	9,600	1,337.34	314.42	17,372.96
16	144,075	9,600	1,392.75	347.46	19,113.17
17	149,838	9,600	1,450.38	382.26	20,945.81
18	155,832	9,600	1,510.32	418.92	22,875.05
19	162,065	9,600	1,572.65	457.50	24,905.20
20	168,548	9,600	1,637.48	498.10	27,040.78
21	175,290	9,600	1,704.90	540.82	29,286.50
22	182,302	9,600	1,775.02	585.73	31,647.25
23	189,594	9,600	1,847.94	632.95	34,128.14
24	197,178	9,600	1,923.78	682.56	36,734.48
25	205,065	9,600	2,002.65	734.69	39,471.82

Total annual Fixed Benefit after 25 years of participation: \$39,471.82.

¹ Assuming 4% annual salary increases.

² Assuming 2% annual COLA.

Variable Benefit Accrual

Variable Benefits are expressed in units rather than dollar amounts. You accrue variable units for each Plan Year in which you participate in the AERP. Your annual variable unit accrual is determined as follows:

1.0% of Eligible Plan Compensation, divided by the purchase value of a variable unit on September 30 at the end of the Year.

EXAMPLE: If your Eligible Plan Compensation is \$80,000 for the Plan Year and the purchase value of a variable unit in effect at the end of the Plan Year was \$8.000, your variable annual unit accrual for the Plan Year would be:

$$1.0\% \times \$80,000 / \$8.0000 = 100.00 \text{ units}$$

The purchase value is determined actuarially and changes each year. It is based on these factors:

- When Aerospace makes contributions to the AERP during the Plan Year
- The rate of return on Variable or Alternate benefit investments or Portfolio A during the Plan Year
- The payment value of a unit at the end of the current Plan Year

When you retire, the value of your accumulated Variable Benefit units is divided by 12 to determine your monthly Variable Benefit. That is, your accumulated units divided by 12 and reduced for early retirement, if applicable, multiplied by the payment value at retirement equals your monthly Variable Benefit. Because the unit value changes at the end of each Plan Year, the Variable Benefit portion of your monthly benefit may go up or down each January 1.

Table 2 is an example of variable benefit accrual during full years of participation.

Table 2
Annual Variable Benefit Accrual – AERP 1

Years of Service	Plan Annual Salary ³	Variable Benefit Base	Assumed Purchase Value ⁴	Variable Units Credited	Accumulated Annual Variable Units (End of Plan Year)
1	\$80,000	\$800.00	\$8.0000	100.00	100.00
2	83,200	832.00	8.2400	100.97	200.97
3	86,528	865.28	8.4872	101.95	302.92
4	89,989	899.89	8.7418	102.94	405.86
5	93,589	935.89	9.0041	103.94	509.80
6	97,333	973.33	9.2742	104.95	614.75
7	101,226	1,012.26	9.5524	105.97	720.72
8	105,275	1,052.75	9.8390	107.00	827.72
9	109,486	1,094.86	10.1342	108.04	935.76
10	113,865	1,138.65	10.4382	109.08	1,044.84
11	118,420	1,184.20	10.7513	110.14	1,154.98
12	123,157	1,231.57	11.0738	111.21	1,266.19
13	128,083	1,280.83	11.4060	112.29	1,378.48
14	133,206	1,332.06	11.7482	113.38	1,491.86
15	138,534	1,385.34	12.1006	114.49	1,606.35
16	144,075	1,440.75	12.4636	115.60	1,721.95
17	149,838	1,498.38	12.8375	116.72	1,838.67
18	155,832	1,558.32	13.2226	117.85	1,956.52
19	162,065	1,620.65	13.6193	119.00	2,075.52
20	168,548	1,685.48	14.0279	120.15	2,195.67
21	175,290	1,752.90	14.4487	121.32	2,316.99
22	182,302	1,823.02	14.8822	122.50	2,439.49
23	189,594	1,895.94	15.3287	123.69	2,563.18
24	197,178	1,971.78	15.7886	124.89	2,688.07
25	205,065	2,050.65	16.2623	126.10	2,814.17

Total annual variable units after 25 years of participation: 2,814.17.

Monthly Benefits

Your monthly benefit is equal to your annual benefit divided by 12.

Benefit Payments During Retirement

Your annual normal retirement benefit, assuming, for example, a current variable payment value of \$16.7500, would be:

Fixed Benefit	\$39,471.82
Variable Benefit (2,814.17 units × \$16.7500)	<u>+47,137.35</u>
Total Retirement Benefit	\$86,609.17

³ Assuming 4% annual salary increases.

⁴ Assuming 3% annual purchase value increases.

Table 3 is a summary of annual benefit payments during retirement.

Table 3
Retirement Benefit Payments – AERP 1

Year of Plan Retirement	Annual Fixed Benefit ⁵	Assumed Variable Payment Value ⁶	Annual Variable Benefit ⁷	Total Annual Income
1	\$39,471.82	\$16.7500	\$47,137.35	\$86,609.17
2	40,261.26	17.2525	48,551.47	88,812.73
3	41,066.49	17.7701	50,008.08	91,074.57
4	41,887.82	18.3032	51,508.32	93,396.14
5	42,725.58	18.8523	53,053.58	95,779.16

These examples are based on the Single Life Annuity Option with no reduction for early retirement.

COLA and Unit Value Changes During Retirement

Annual changes in the monthly benefit payments will be effective January 1. Participants receive written notification of any change.

Prorating of Benefits for Partial Years

Your benefit accrual will always be based on your Eligible Plan Compensation which is the compensation paid to you during the Plan Year (while a Participant). If you terminate your employment during a Plan Year, your benefits will be based on the Eligible Plan Compensation you received prior to your termination date plus any variable pay such as performance recognition payments and awards paid for the Plan Year of your termination.

Limitations on Benefits

The IRS limits the maximum benefits that can be provided by the AERP. If you are affected by this limit, your benefits may be reduced. You will be notified at retirement if this limitation applies to you.

Casual and Temporary Employee Status as of Each September 30

If you are in a Casual or Temporary status as of September 30, you must have been paid for at least 1000 hours of service in order to accrue any benefits for that Plan Year.

Leave of Absence

If you are granted an approved leave of absence, your benefit accrual will continue for 13 weeks or to the end of the absence, if earlier, provided you resume your employment with Aerospace. Your benefit accruals will be based on your last weekly base salary.

⁵ Assuming 2% COLA.

⁶ Assuming 3% annual payment value increases. If the returns in the Variable fund are less than 4% for a given Plan Year, this would be reflected in a lower payment value. This would cause retiree Variable Benefits payments to decrease for the following calendar year.

⁷ Assuming 2,814.17 variable units

Long Term Disability (LTD)

If you are considered to be on LTD, you will continue to receive benefit accruals. Your benefit accruals will be based on your last weekly base salary.

Collecting Benefits

General

Typically, you must terminate employment to begin receiving benefits from the AERP. While normal retirement age under the AERP is 65, you may elect to receive benefits as early as age 55 (earlier if the present value of your vested benefit is not more than \$10,000); however, your monthly income benefit will be reduced because your benefits will probably be paid for a longer period. If you retire from active employment as a fully vested AERP 1 Participant on or after age 62, there is no reduction in benefits based on your age. In any event, the AERP requires that you begin receiving benefits on April 1 following the calendar year in which you turn age 70 ½.

Early Retirement Reduction

Table 4 illustrates examples of the percentage of accrued benefits a fully vested Plan Participant may receive upon retiring from active service before age 62.

Table 4
Early Retirement Benefits for Active Employees – AERP 1

Age of Participant at Retirement		Percent/Factor of Retirement Benefits When Retiring From Active Employment	Age of Participant at Retirement		Percent/Factor of Retirement Benefits When Retiring From Active Employment
Years	Months		Years	Months	
55	0	59.0%	59	7	76.9%
	1	59.4%		8	77.3%
	2	59.8%		9	77.8%
	3	60.3%		10	78.2%
	4	60.7%		11	78.6%
	5	61.1%		0	79.0%
	6	61.5%		1	79.6%
	7	61.9%		2	80.2%
	8	62.3%		3	80.8%
	9	62.8%		4	81.3%
	10	63.2%		5	81.9%
56	11	63.6%	6	82.5%	
	0	64.0%	7	83.1%	
	1	64.4%	8	83.7%	
	2	64.8%	9	84.3%	
	3	65.3%	10	84.8%	
	4	65.7%	11	85.4%	
	5	66.1%	0	86.0%	
	6	66.5%	1	86.6%	
	7	66.9%	2	87.2%	
	8	67.3%	3	87.8%	
	9	67.8%	4	88.3%	
57	10	68.2%	5	88.9%	
	11	68.6%	6	89.5%	
	0	69.0%	7	90.1%	
	1	69.4%	8	90.7%	
	2	69.8%	9	91.3%	
	3	70.3%	10	91.8%	
	4	70.7%	11	92.4%	
	5	71.1%	0	93.0%	
	6	71.5%	1	93.6%	
	7	71.9%	2	94.2%	
	8	72.3%	3	94.8%	
58	9	72.8%	4	95.3%	
	10	73.2%	5	95.9%	
	11	73.6%	6	96.5%	
	0	74.0%	7	97.1%	
	1	74.4%	8	97.7%	
	2	74.8%	9	98.3%	
	3	75.3%	10	98.8%	
	4	75.7%	11	99.4%	
	5	76.1%	0	100.0%	
	6	76.5%			
	59			60	1
			2		87.2%
			3		87.8%
			4		88.3%
			5		88.9%
			6		89.5%
			7		90.1%
			8		90.7%
			9		91.3%
			10		91.8%
			11		92.4%
		61	0	93.0%	
			1	93.6%	
			2	94.2%	
			3	94.8%	
			4	95.3%	
			5	95.9%	
			6	96.5%	
			7	97.1%	
			8	97.7%	
			9	98.3%	
			10	98.8%	
		62+	11	99.4%	
			0	100.0%	

These are percentages of the monthly benefits payable at age 65, earned to the date of retirement.

Reemployment After Retirement

If you retire and begin to receive benefits from the AERP, then return to work as a regular full-time or part-time employee, you must notify the Aerospace Employee Benefits Department. If you are paid for 1,000 hours or more during a Plan Year, your retirement benefits will be suspended. The benefits you will accrue will be determined in accordance with the relevant provisions in the Combined Retirement Plan (CRP). Suspended benefits resume after you stop working. If you are paid for less than 1,000 hours, your retirement benefits will be unaffected.

However, if you are rehired from retirement as a casual employee (casual employment is less than 1,000 hours in a Plan Year), you will continue to receive retirement benefits as well as your salary from Aerospace.

Vested Terminees

If you leave Aerospace before retirement, you must request in writing to receive any vested pension benefits. You may receive your vested benefits as early as age 55. As shown in Table 5, if you elect to receive your vested retirement benefit before age 65, your benefit will be reduced for each month your retirement precedes your normal retirement date at age 65.

Table 5
Early Retirement Factors for Vested Terminees - AERP 1

Age of Participant at Retirement		Percent/Factor of Retirement Benefits When Retiring From a Vested Termination	Age of Participant at Retirement		Percent/Factor of Retirement Benefits When Retiring From a Vested Termination
Years	Months		Years	Months	
55	0	45.4%	60	0	66.2%
	1	45.7%		1	66.6%
	2	46.1%		2	67.1%
	3	46.4%		3	67.5%
	4	46.7%		4	68.0%
	5	47.1%		5	68.5%
	6	47.4%		6	68.9%
	7	47.7%		7	69.4%
	8	48.1%		8	69.8%
	9	48.4%		9	70.3%
	10	48.7%		10	70.7%
	11	49.0%		11	71.1%
56	0	49.3%	61	0	71.6%
	1	49.6%		1	72.0%
	2	49.9%		2	72.5%
	3	50.3%		3	73.0%
	4	50.6%		4	73.4%
	5	51.0%		5	73.9%
	6	51.3%		6	74.3%
	7	51.6%		7	74.8%
	8	51.9%		8	75.2%
	9	52.2%		9	75.7%
	10	52.5%		10	76.1%
	11	52.8%		11	76.6%
57	0	53.1%	62	0	77.0%
	1	53.4%		1	77.5%
	2	53.7%		2	78.1%
	3	54.1%		3	78.7%
	4	54.4%		4	79.2%
	5	54.7%		5	79.8%
	6	55.0%		6	80.4%
	7	55.3%		7	81.0%
	8	55.7%		8	81.6%
	9	56.0%		9	82.2%
	10	56.4%		10	82.8%
	11	56.7%		11	83.4%
58	0	57.0%	63	0	84.0%
	1	57.3%		1	84.6%
	2	57.6%		2	85.3%
	3	57.9%		3	85.9%
	4	58.3%		4	86.5%
	5	58.6%		5	87.2%
	6	59.0%		6	87.8%
	7	59.3%		7	88.5%
	8	59.6%		8	89.1%
	9	59.9%		9	89.7%
	10	60.2%		10	90.3%
	11	60.5%		11	90.9%
59	0	60.8%	64	0	91.5%
	1	61.2%		1	92.2%
	2	61.7%		2	92.9%
	3	62.1%		3	93.6%
	4	62.6%		4	94.3%
	5	63.0%		5	95.0%
	6	63.5%		6	95.7%
	7	63.9%		7	96.5%
	8	64.4%		8	97.2%
	9	64.8%		9	97.9%
	10	65.3%		10	98.6%
	11	65.7%		11	99.3%
			65	0	100.0%

Note that early retirement benefits are greater for AERP 1 Participants who retire from active employment than the early retirement benefits for AERP 1 Participants who left Aerospace before retiring.

Forms of Payment Options

The AERP provides several payment methods to help meet your retirement needs. Your form of payment election cannot be changed after your actual retirement date.

Normal Payment Methods

Single Life Annuity: If you are unmarried when you begin to receive your benefit from AERP, you will automatically be paid under a Single Life Annuity unless you elect an optional payment method. Under this method of payment, you receive a monthly benefit for the rest of your life. When you die, the payments stop and do not continue to anyone else.

Spousal 50 Percent Joint and Survivor Annuity: If you are married when you begin to receive your benefit from AERP, you will automatically be paid under a Spousal 50 Percent Joint and Survivor Annuity unless you elect another payment method. Under this method of payment, you receive a lifetime monthly benefit. If you die before your spouse dies, he or she will receive half of your monthly pension for life. If your spouse predeceases you, you may not change your annuity payment option or your beneficiary.

Because this form of payment guarantees a monthly benefit for two lifetimes, the monthly benefit is less than a Single Life Annuity.

Other Payment Methods

In addition to the normal payment methods described above, any AERP 1 Participant, whether married or single, may elect one of the following payment methods:

Joint and Survivor Annuity: Under this method of payment, you receive an actuarially reduced benefit for life, and your survivor will receive a percentage of your benefit for life. At the time you elect this optional payment method, you designate a person to receive a continuation of your benefit after you die. You also elect at that time the percentage of your benefit that will be continued after your death for the rest of your designated beneficiary's life. The amount that may be continued is 50 percent, 75 percent, or 100 percent of your benefit. The higher the percentage you choose to continue to your survivor, the less your monthly benefit will be while you are living. If your elected beneficiary predeceases you, you may not change your annuity payment option or your beneficiary.

Ten Year Certain and Life Annuity: Under this method of payment, you receive a benefit for your lifetime. Once benefit payments begin, if you die during the first 10 years, your beneficiary or beneficiaries will receive the same benefit you would have received for the balance of the 10-year period. Because of the 10-year minimum payout period, the monthly benefit is less than would be payable as a Single Life Annuity. If your elected beneficiary(ies) predeceases you during the 10-year period, you may elect a new beneficiary.

Lump Sum Payment: If the present value of your vested benefit is \$1,000 or less, and you are vested, your benefit will be paid automatically to you in a lump sum after you terminate from the corporation. If the present value of your vested benefit is between \$1,000 and \$10,000, you may elect to receive a lump sum payment anytime after termination. However, if you are married, your spouse must consent in writing to the lump sum distribution. You cannot receive a lump sum payment if you have begun receiving monthly benefits payments.

The AERP is required by Federal law to withhold a mandatory 20-percent Federal tax and a 2% California tax for California residents from most lump-sum distributions unless the money is rolled over “directly” into an Individual Retirement Arrangement (IRA) or into another employer’s eligible retirement plan. For further information, you may request a copy of the “Notice Regarding Special Tax Rules” from the Aerospace Employee Benefits Department.

***Spousal Consent Requirements:* If you are married when you retire, spousal consent is required if you select any option other than the Spousal 50 Percent Joint and Survivor Annuity.**

Applying for Benefits Procedure

When you are ready to retire, contact the Aerospace Employee Benefits Department two months prior to your anticipated retirement date. Your benefit options will be calculated after you have given written notice of retirement. At that time, you will be asked to select the method of payment that will determine your monthly retirement income benefit.

Preretirement Survivor Annuity (PRSA)

Eligibility

If you should die after being vested in AERP but before your retirement benefit commences, your spouse will be eligible for the Preretirement Survivor Annuity (PRSA), provided the coverage was in effect at the time of your death. Coverage will be in effect if:

- You were active on or after October 1, 2005, or
- You terminated with a vested benefit before October 1, 2005 and have a current PRSA election.

An eligible spouse is the individual to whom you are married at the time of your death, unless a Qualified Domestic Relations Order (QDRO) names a former spouse as the eligible spouse for the portion of the PRSA to which he or she is entitled.

Benefit Amount

If you die after age 55, the PRSA is one-half the amount that would have been paid to you had you retired the first of the month after your death with the Spousal 50-Percent Joint and Survivor Annuity in effect. The monthly pension benefit payable to your spouse may begin immediately.

If you die before age 55, the PRSA is one-half the amount that would have been paid to you had you retired as a former employee with the Spousal 50 Percent Joint and Survivor Annuity in effect on the first of the month after reaching age 55. Your spouse is not eligible to receive payments until the date you would have reached age 55. Your spouse must contact the Aerospace Employee Benefits Department to initiate payment.

In both instances the benefit is payable monthly for the duration of your spouse's life.

Cost of Coverage

For employees active as of October 1, 2005, future coverage for this benefit will be paid by the AERP.

Optional Contributions

Before April 1, 2003, as an AERP 1 Participant, you may have supplemented your retirement income with optional after-tax contributions through either payroll deductions or direct lump sum payments to the AERP. This option is no longer available within AERP.

Money invested before April 1, 2003, in Optional Contribution accounts are invested with Fidelity Investments. You may invest your Optional Contribution account in many of Fidelity's mutual funds. You may change the allocation of future contributions and move existing accumulations between Fidelity mutual funds at any time. Earnings on Optional Contributions are tax deferred until withdrawal.

Vesting in Optional Contributions

You are always 100 percent vested in your own contributions and earnings.

Withdrawals of Optional Contributions

You may withdraw Optional Contributions by communicating directly with Fidelity Investments. Distribution checks will be mailed to your home address.

Contributions deposited to your Optional Contributions account before December 31, 1986, are withdrawn before earnings. The remaining earnings and contributions are withdrawn according to their proportion in the account for the additional withdrawal amount.

The AERP is required by Federal law to withhold 20 percent from the distribution of all taxable earnings from Optional Contributions accounts unless you elect to have them paid directly to an IRA or another employer's qualified plan. For further information, you may contact Fidelity.

At retirement, you may receive your contributions and earnings in a lump sum or in a series of periodic withdrawals. If you reach age 70-1/2 after January 1, 1988, you must begin receiving benefits from the AERP no later than April 1 following the year in which you turn age 70-1/2. If you do not receive a minimum distribution, you are subject to penalties.

If You Die

Upon your death, your Optional Contributions account will be paid to your beneficiary. The beneficiary must contact Fidelity Investments regarding taking a distribution.

Quarterly Statement

Each quarter you will receive a report of your Optional Contributions and earnings from Fidelity Investments.

Survivors' Income Benefit (SIB)

SIB offers income protection through monthly payments to your spouse or dependent children.

Eligibility

This feature of the AERP was closed to new entrants as of October 1, 2005 and closed to non-bargaining unit employees effective January 31, 2015. All other regular Aerospace employees who were hired before January 1, 1993 and have a current election of this benefit may continue to participate in this AERP feature.

Cost of SIB Coverage

The cost of this coverage is paid by you and is based on your age as of October 1 of each year, and weekly base salary. These premium payments are made through payroll deductions and are subject to change. The following rates are applicable as of October 1, 2005. (Rates are not guaranteed and are subject to change.)

Employee Age	SIB Premium Per \$100 Dollars of Weekly Pay
20-24	\$0.14
25-29	0.15
30-34	0.20
35-39	0.32
40-44	0.45
45-49	0.65
50-54	0.86
55-59	1.15
60-64	1.60
65-69	1.24
70-74	1.96
75-79	2.38
80-84	2.33

What this AERP Feature Provides

AERP 1 Participants Under Age 65: Upon your death before age 65, your beneficiary will receive an initial monthly income amounting to 25 percent of your final active basic monthly salary. The maximum benefit is subject to the Internal Revenue Code and is indexed annually.

The benefit is 20 percent of your final active pay if:

- Your spouse is your beneficiary, and
- Your spouse is age 65 or over, and
- You have no dependent children.

AERP 1 Participants Age 65 and Older: As shown in Table 6, upon proof of your death at age 65 or older, the following benefits will be paid:

Table 6

Age of Employee	Benefits as a Percentage of AERP 1 Participant's Final Salary
65 to less than 70	15.0
70 to less than 75	10.0
75 to less than 80	7.5
80 and older	5.0

The benefit is reduced by 20 percent of the levels listed above when a spouse who is the sole beneficiary and has no dependent children turns 65. For example, if an AERP 1 Participant dies at age 69 with a final monthly active salary of \$5,000, the spouse would get 15 percent of that amount or \$750. When the spouse is age 65 or over, the monthly benefit would be \$600, which represents a 20-percent reduction.

In either case, if you are a part-time employee, your beneficiary will receive one-half the benefits available if you were a full-time employee.

Who Will Receive SIB Benefits?

You can designate your spouse or your dependent children as beneficiaries.

If you designate your spouse as beneficiary, your spouse will receive these benefits until:

- **Remarriage:** If your spouse remarries, half of the original benefit will go to your dependent children until they are no longer eligible.
- **Age 65:** If you die before age 65, the benefits will be reduced to 20 percent of your final active salary when your spouse reaches age 65. If your spouse is age 65 and has eligible dependent children, the benefit will not be reduced until the children are no longer eligible.

- **Death:** If your spouse dies, your eligible dependent children will receive the monthly benefit until they are no longer eligible.

If you designate your dependent children the beneficiaries or they become the beneficiaries because your spouse remarries or dies, they will receive the benefits indicated for as long as they remain totally dependent and unmarried, up to age 23.

A child may be eligible after age 23 if he or she is incapable of self-support due to physical or mental incapacity that began before age 23. An application to continue coverage should be made within 31 days of the child's 23rd birthday.

If you have more than one dependent child, the full benefit will continue until the youngest becomes ineligible.

NOTE: If you (the AERP 1 Participant) die in your first year of marriage and the death is a result of a condition treated within three months before you were married, your spouse or stepchildren are not eligible for SIB benefits.

When Do SIB Benefits Stop?

The income benefits of this AERP feature will stop:

- When your spouse dies and you have no dependent children
- When your spouse remarries and you have no dependent children
- When the youngest of your children become ineligible at age 23 or is no longer incapacitated.

How this AERP Feature Works

The SIB benefits are paid from the AERP. Fifty percent of the original benefit will be paid from the Fixed Fund and fifty percent from the Variable Fund. The fixed portion of the benefit will always be the same (not subject to the COLA). The variable portion will be converted to Variable Fund units as defined in the Retirement Plan. The dollar value of the Variable Fund unit is adjusted on January 1 each year.

Because half of the SIB benefit is based on Variable Fund units, the amount paid to your beneficiary could vary from year to year depending on the payment value of the Variable Fund.

SIB Coverage Will End

The SIB coverage will permanently end under the following circumstances:

- If you elected the Combined Retirement Program effective October 1, 2005
- When you are no longer a regular Aerospace employee or when your employment status changes
- When you are age 65 or older and you are on Long Term Disability

- When you are terminated due to reduction in force
- When you stop paying your share of the premiums
- When you no longer have a spouse or eligible dependent children
- After 90 days of an authorized leave of absence
- When the AERP is amended or terminated

If you become totally disabled, your coverage will continue for the first 6 months as long as you continue to pay your portion of the premiums. After you have been continuously disabled for 6 months and if you furnish all required information, notices, and proofs, your coverage will be continued at no cost to you until you recover, turn age 65, no longer have a spouse or dependent children, die, or retire.

During an authorized Leave Of Absence, you can continue your coverage for up to 90 days by paying your share of premiums in advance of the leave. To accomplish the preceding you can make arrangements through the Aerospace Employee Benefits Department.

Choices After Retirement

Portfolio A Benefit

All retirees, including those retired from vested terminated status, and survivors of deceased retirees, have the option to transfer Variable Benefit units or Alternate Variable units (as described below) to Portfolio A during a specified enrollment period each year. Once elected, the decision to change is irrevocable.

Portfolio A pays the variable portion of the retirement benefits from a separate investment portfolio of short-term bonds. The primary objective of this fund is to minimize fluctuations of retirement income. The secondary objective is the preservation of capital. Portfolio A operates under the following investment guidelines:

A majority of the portfolio will be invested in US Treasury or US Government securities backed by the full faith and credit of the US Government. The balance will be invested in US corporate bonds rated AA or better. Bonds in the portfolio will be restricted to those having maturity of no more than ten years and the average portfolio maturity will be no more than five years.

Election of Portfolio A occurs in August of each year and is effective the following Plan Year. When elected, Variable Benefit units or Alternate Variable Benefit units that have been credited to the AERP 1 Participant are converted to Portfolio A units. They are then transferred to Portfolio A as of September 30 following the enrollment period in which elected. When the next Plan Year ends, credited units are valued based on the performance of Portfolio A for that Plan Year.

EXAMPLE:

Election of Portfolio A Benefit during annual enrollment period	August 1-31, 2005
Conversion of Variable Benefit units and transfer to Portfolio A Benefit (after any Plan Year benefit accrual)	September 30, 2005
Close of Plan Year for which election of Portfolio A Benefit was effective	September 30, 2006
Payments (or appearance on statement of benefits) of the Portfolio A Benefit	January 1, 2007

To convert accrued Variable Benefit units or Alternate Variable Benefit units to Portfolio A Benefit units, first convert them to dollars by multiplying them (after any Plan Year benefit accrual) by the Variable Payment value at the close of the Plan Year when elected. Then convert the dollars to Portfolio A Benefit units by dividing them by the Portfolio A payment value at the close of the Plan Year when elected.

Alternate Variable Benefit

(This investment alternative has been closed to AERP 1 Participants effective August 15, 1999). Alternate Variable pays the variable portion of the retirement benefits from a separate investment of government securities whose maturity is less than one year. You may contact the Aerospace Employee Benefits Department if you have any questions.

Qualified Domestic Relations Orders (QDRO)

Notwithstanding the prohibition against assigning or attaching an AERP Participant's account, applicable law requires that the Plan provide for the creation, assignment, or recognition of a right to any benefit payable with respect to an AERP Participant pursuant to a Domestic Relations Order (DRO).

A DRO assigns all or part of a Plan Participant's retirement benefits to a spouse, former spouse, child, or other dependent. All DROs received by representatives of The Aerospace Corporation will be immediately sent to the Plan Administrator. For a DRO to be a QDRO, it must be approved by the Plan Administrator and include the following information:

The following procedures ("QDRO Procedures") will be used to determine whether a domestic relations order or proposed domestic relations order (each a "DRO") received by The Aerospace Employees' Retirement Plan (the "Plan") is a qualified domestic relations order ("QDRO") under section 206(d)(3)(B)(i) of the Employee Retirement Income Security Act ("ERISA") and section 414(p) of the Internal Revenue Code (the "Code").

The purpose of the QDRO Procedures is to establish reasonable and consistent procedures for determining the qualified status of a DRO, interpreting the terms of a DRO that is determined to be a QDRO and making distributions pursuant to a QDRO. The Administrator of the Plan is responsible for administering the QDRO Procedures.

1. Notice Upon Receipt of DRO. Promptly after the Plan receives a DRO, the Administrator will notify the participant and each alternate payee of the receipt of the DRO and will deliver to the participant and each alternate payee copies of the QDRO Procedures, the Plan's summary plan description and any summaries of material modifications. The term "alternate payee" means any spouse, former spouse, child or other dependent of a participant who is recognized by a DRO as having a right to receive all, or a portion of, the benefits payable under the Plan with respect to the participant. Each participant and alternate payee shall be permitted to designate a representative to receive copies of notices and other communications that are sent by the Administrator to the participant and alternate payee with respect to a DRO.
2. Suspension of Benefits Upon Receipt of DRO. Promptly after receipt of a DRO (including a revised DRO that has been submitted after the Administrator has determined that a previously submitted DRO is not a QDRO), the Administrator will notify the Plan's trustee of the receipt of the DRO and will account separately for the amount of the participant's benefit that is (or may be) subject to the DRO and will suspend the participant's right to receive any distribution under the Plan to the extent the Administrator deems necessary to comply with the DRO. This "hold" on the payment of a participant's benefits shall remain in place until the status of the DRO as a QDRO is finally determined (by the Administrator, the court or otherwise), provided, however, that the hold will not last longer than 18 months from the date on which a payment would first be required to be made to an alternate payee under the DRO (or from the date that the Plan receives the DRO if no payment date is specified).
3. Review of DRO. The Administrator will review a DRO within a reasonable time following receipt by the Plan to determine its qualified status and will complete a QDRO Checklist with respect to each DRO received, unless the Administrator decides that it is unnecessary to complete a QDRO Checklist to determine the qualified status of a DRO (e.g., in the case of a DRO that is obviously not a QDRO). A copy of the current version of the QDRO Checklist is attached, but the administrative committee of the Plan can change the checklist at any time as it deems necessary or appropriate. Based on this review, the Administrator will determine whether the DRO is a QDRO. Generally, a DRO will be determined to be a QDRO only if it meets all of the following requirements:

- a. It is issued by a court pursuant to state domestic relations law (including community property law).
- b. It relates to the provision of child support, alimony payments or marital property rights for a spouse, former spouse, child or other dependent of the participant.
- c. It designates an alternate payee and creates or recognizes the existence of an alternate payee's right to, or assigns to an alternate payee the right to, receive all or a portion of the benefits payable with respect to the participant under the Plan.
- d. It specifies all of the following information:
 - (i) the full name of the Plan and any other plan to which it applies;
 - (ii) the amount or percentage of the participant's vested benefit to be paid to the alternate payee, or the manner in which the amount or percentage is to be determined;
 - (iii) the number of payments or period of time to which it applies; and
 - (iv) the name and last known mailing address of the participant and the name and mailing address of each alternate payee covered by the DRO.
- e. It does not require the Plan to provide any type or form of benefit, or any option, not otherwise provided under the Plan.
- f. It does not require the Plan to provide increased benefits (determined on the basis of actuarial value). A DRO does not require a Plan to provide increased benefits if it only provides for the payment of benefits to which the participant would be entitled in the absence of the DRO.
- g. It does not require the payment of benefits to an alternate payee that are required to be paid to another alternate payee named under another QDRO.
- h. It provides that the alternate payee may elect among available payment options under the Plan (or indicates the type of annuity option elected by the alternate payee to the extent such information is necessary to determine the amount or percentage of the participant's vested benefit to be paid to the alternate payee), provided, however, that the Plan cannot be required to pay benefits to an alternate payee in the form of a qualified joint and survivor

- annuity for the lives of the alternate payee and his or her subsequent spouse.
- i. It does not require payment to be made before the participant's "earliest retirement age" (as defined in section 206(d)(3)(E)(ii) of ERISA and 414(p)(4)(B) of the Code) (*i.e.*, the participant's attainment of age 55).
 - j. It specifies the date as of which benefits are to be separated.
 - k. It addresses what happens in the event of the death of the participant or alternate payee before and after benefit payments commence.
4. Determination That a DRO Is Not a QDRO. If the Administrator determines that a DRO is not a QDRO:
- a. The Administrator will notify the participant and each alternate payee of the decision promptly after the determination and provide a written explanation of the reasons why the DRO is not a QDRO, including references to any applicable Plan provisions upon which the Administrator's decision is based.
 - b. If the Administrator determines that a DRO is not a QDRO within the 18-month period referenced above and the Administrator has reason to believe that a party will seek to cure the defects in the DRO, the Administrator may (but is not required to) account separately for amounts payable under the DRO and continue the hold on distributions to the participant for up to 12 months beginning on the date the Administrator notifies the alternate payee that the DRO is not a QDRO (but in no event shall such hold be maintained beyond the expiration of the maximum 18-month period described in Section 2 above). If a revised DRO is not presented to the Administrator by the deadline specified in the preceding sentence, or if after the 18-month period has expired the Administrator has not resolved the issue of whether the DRO is qualified, the Administrator will cease accounting separately for the amounts payable under the DRO, lift the hold on distributions and process any distribution requests submitted by the participant in the same manner as if there had been no DRO. The submission of a revised DRO will begin a new hold on the payment of the participant's benefits as described in Section 2 above. Notwithstanding the foregoing, however, the Administrator will continue the hold on the payment of the participant's benefits during the period the Administrator determines to be necessary to fulfill its fiduciary duties under the Plan.

5. Determination That a DRO Is a QDRO. If the Administrator determines that a DRO is a QDRO:
- a. The Administrator will notify the participant and each alternate payee in writing that the DRO is a QDRO promptly after the determination. Any hold on the distribution of benefits to the participant will be lifted, and amounts will be paid pursuant to the QDRO.
 - b. If the QDRO requires immediate payment, the Plan will pay the designated amounts as soon as administratively feasible after the alternate payee completes and returns all required forms and provides all information requested by the Administrator. If the Plan cannot make a distribution promptly after the determination of the qualified status of a QDRO, the Administrator will advise the parties of the delay, the reasons for the delay and the date by which the Plan expects to make payment. If the QDRO required the Plan to pay any amounts during the determination period, such payment will be actuarially adjusted from the date of the required payment through the anticipated date of actual payment.
 - c. If the participant dies before his or her “earliest retirement age” (as defined in section 206(d)(3)(E)(ii) of ERISA and 414(p)(4)(B) of the Code), the alternate payee shall be entitled to benefits only if the QDRO requires survivor benefits to be paid to the alternate payee.
 - d. If payments are to be made to an alternate payee before the participant retires, payments will be computed by taking into account only the benefits actually accrued as of the date that payments commence and by actuarially adjusting such benefits based on the actuarial factors specified in the Plan.
 - e. If an alternate payee begins receiving benefits under a QDRO and the participant subsequently retires with subsidized early retirement benefits, the QDRO may specify that the amount payable to the alternate payee is to be recalculated so that the alternate payee also receives a share of the subsidized benefit to which the participant is entitled. Unless the QDRO so specifies, however, the amount payable to the alternate payee will not be recalculated following the participant’s retirement.
 - f. Any determination that a DRO is a QDRO after the expiration of any hold placed on the payment of a participant’s benefits will be applied prospectively only and will not require payment to an

alternate payee of any benefits previously paid to the participant. Neither the Plan nor The Aerospace Corporation nor any of its or their trustees, fiduciaries, employees, representatives or agents will be liable to any participant, beneficiary or alternate payee, or any party claiming by or through them, for amounts released from a hold or otherwise paid in accordance with the QDRO Procedures.

- g. Each alternate payee is entitled to file with the Plan a beneficiary designation in the same manner as a participant.

Other Information

AERP Continuation

Aerospace intends to continue the AERP, but reserves the right to amend, change, modify, or terminate the AERP at any time. Any amendment (this includes changes and modifications) of the AERP will be made upon recommendation of the President and approval by the Aerospace Board of Trustees. Any amendment, change, modification, or termination, however, will not affect the benefit that you have earned at the time of the amendment, change, modification, or termination. Your retirement benefits are insured by the Pension Benefit Guaranty Corporation (PBGC) established under the Employee Retirement Income Security Act of 1974 (ERISA).

AERP Termination

The company may at any time, by action of its Board of Trustees:

- Discontinue the AERP
- Discontinue contributions under the AERP
- Partially terminate the AERP
- Completely terminate the AERP

In any of the above events, the right of all affected AERP 1 Participants to benefits accrued to the date of discontinuance, partial termination, or termination to the extent funded under allocation as set forth below, are nonforfeitable.

Allocation of Benefits: Following the payments of all expenses, all remaining assets, if any, will be allocated in the following order:

1. To pay any AERP 1 Participant or retired AERP 1 Participant who is making or has made Optional Contributions, or his or her beneficiary(ies) an amount equal to the sum of such contributions to the Fidelity Investments standing to his or her credit on the date the AERP was discontinued, together with interest, dividends, and capital gains and losses experienced by these funds to such date.

2. To provide the following retirement income benefits:
 - a. In the case of the benefit of an AERP 1 Participant or beneficiary who was in Retirement pay status as of the beginning of the 3-year period ending on the termination date of the AERP, to provide each such benefit, based on the provisions of the AERP (as in effect during the five-year period ending on such date) under which such benefit would be the least. (For this purpose the lowest benefit in pay status during a three-year period is the benefit in pay status for the period.)
 - b. In the case of an AERP 1 Participant's or beneficiary's benefit that would have been in retirement pay status as of the beginning of such 3-year period if the AERP 1 Participant had retired prior to the beginning of the three-year period and if his benefits had commenced (in the normal form of annuity under the AERP) as of the beginning of such period, to provide each such benefit based on the provisions of the AERP (as in effect during the five-year period ending on such date) under which such benefit would be the least.
3. To provide:
 - a. All other benefits, if any, of individuals under the AERP insured under Title IV of the Employee Retirement Income Security Act of 1974 (ERISA); (determined without regard to Section 4022(b)(5) of ERISA), and
 - b. The additional benefits, if any, which would be determined under ERISA if Section 4022(b)(6) of ERISA did not apply.
4. To provide all other nonforfeitable benefits under the AERP not specified above, in the following order or priority:
 - a. To provide retirement income benefits in the full amount to retired AERP 1 Participants, or to the contingent annuitants or beneficiaries thereof, without reference to the order in which they retired, except for benefits with respect to an AERP 1 Participant who retires at an early retirement date that precedes the termination of the AERP by less than 1 year, which benefits shall be deemed to fall within paragraph (b) below.
 - b. To provide retirement income benefits to all other AERP 1 Participants at their normal retirement dates, in the amounts accrued to them hereunder on the date of such discontinuance or termination of employment, whichever date is applicable.
5. To provide all other benefits under the AERP.
6. Upon any termination of the AERP, if the assets are insufficient to provide for all benefits stated in the order or precedence in which they appear above, the benefit for each person in such group for which the assets are insufficient shall be reduced in the proportion that the assets bear to the

cost of full benefits for all persons in such group.

7. Upon termination of the AERP, if the assets are more than sufficient to provide for all benefits herein above stated, the remainder of the assets in the trust fund shall be paid to the U.S. Government.

Pension Benefit Guaranty Corporation (PBGC)

Your pension benefits under the AERP are insured by the Pension Benefit Guaranty Corporation (PBGC), a federal insurance agency. If the AERP terminates (ends) without enough money to pay all benefits, the PBGC will step in to pay pension benefits. Most people receive all of the pension benefits they would have received under the AERP, but some people may lose certain benefits.

The PBGC generally covers: (1) Normal and early retirement benefits; (2) disability benefits if you become disabled before the plan terminates; and (3) certain benefits for your survivors.

The PBGC generally does not cover: (1) Benefits greater than the maximum guaranteed amount set by law for the year in which the plan terminates; (2) some or all of benefit increases and new benefits based on plan provisions that have been in place for fewer than 5 years at the time the plan terminates; (3) benefits that are not vested because you have not worked long enough for the company; (4) benefits for which you have not met all of the requirements at the time the plan terminates; (5) certain early retirement payments (such as supplemental benefits that stop when you become eligible for Social Security) that result in an early retirement monthly benefit greater than your monthly benefit at the plan's normal retirement age; and (6) non-pension benefits, such as health insurance, life insurance, certain death benefits, vacation pay, and severance pay.

Even if certain of your benefits are not insured, you still may receive some of those benefits from the PBGC depending on how much money your plan has and on how much the PBGC collects from employers.

For more information about the PBGC and the benefits it insures, ask your plan administrator or contact the PBGC's Technical Assistance Division, 1200 K Street N.W., Suite 930, Washington, D.C. 20005-4026 or call 202-326-4000 (not a toll-free number). TTY/TDD users may call the federal relay service toll-free at 1-800-877-8339 and ask to be connected to 202-326-4000. Additional information about the PBGC's pension insurance program is available through the PBGC's Web site on the Internet at <http://www.pbgc.gov>.

Administrative Facts

Aerospace is the Plan Sponsor and has adopted the AERP to cover employees hired before a certain date. The Plan Year ends on September 30, and records are maintained on a Plan Year basis. The AERP is a defined benefit plan.

Plan Administrator

The AERP is administered by the Employee Benefits Department of The Aerospace Corporation at 2310 East El Segundo Boulevard, El Segundo, CA 90245, under the direction of the Vice President Chief People Officer (Heather R. Laychak), the Plan Administrator. The Plan Administrator's telephone number is 310-336-5107.

Funding/Trustee

The AERP is funded by a trust agreement and all AERP assets are held in a trust with The Northern Trust Company, 50 South La Salle Street, Chicago, IL 60675.

Aerospace contributions are accumulated in the AERP's trust fund, which has been established for the exclusive benefit of AERP Participants and beneficiaries. Generally, benefits from the AERP are payable by the Trustee at the direction of the Plan Administrator.

Service of Process

Malissia Clinton is designated as the agent for service of legal process. Ms. Clinton is the General Counsel and her address is The Aerospace Corporation at 2310 East El Segundo Boulevard, El Segundo, CA 90245. The Plan Administrator, Heather R. Laychak, may also receive service of legal process.

Employer Identification Number and Plan Number

The Employer Identification Number assigned to Aerospace is 95-2102389. The Plan Number assigned to the AERP is 001.

Benefit Denials

If your application for benefits is denied in part or in whole, the Plan Administrator will advise you of the reason for the denial, your right to appeal, and the appeal procedure. Generally the Plan Administrator will respond to your application within 90 days, unless special circumstances require additional time. The 90 day period may be extended an additional 90 days if the plan administrator determines that the extension is needed due to special circumstances. If an extension is needed, you will be notified before the 90 day extension period begins.

Appealing a Benefit Denial

If you want to appeal a denial of your application for benefits, you should submit a written appeal to the Plan Fiduciaries in care of the Aerospace Employee Benefits Department. You must state the reason for the appeal. Your appeal must be received by the Benefits Department within 60 days after you receive the notice of denial of your benefit application. The written

appeal will be given to the Plan Fiduciaries (Chief Financial Officer, Treasurer, and the Aerospace Employees' Retirement Plan Committee). The fiduciaries will conduct a full and fair review of the decision denying your claim.

After the review, you will be advised in writing of the fiduciaries' decision. The fiduciaries will generally respond to your appeal within 60 days. The 60-day period may be extended an additional 60 days if the fiduciaries determine that the extension is needed due to special circumstances. If an extension is needed, you will be notified before the 60-day extension period begins.

General Information

Copies of the AERP documents and any other materials pertaining to the AERP are available for review at a nominal charge. If you wish to see any of these documents, please contact the Aerospace Employee Benefits Department at 310.336.5107.

You will receive notice of any changes in the benefits provided by the AERP described in this booklet. This SPD is furnished to you at no charge.

The complete AERP is described in the AERP document, which is available to you upon request. In case of a conflict between the AERP document and this SPD, or if any point is not covered, the AERP document will govern.

All questions relating to the interpretation of the AERP, eligibility of employees, and the amount of benefits payable in each individual case will be determined by the Plan Administrator in accordance with provisions of the AERP.

You may call the Aerospace Employee Benefits Department if you have any questions about the AERP.

This SPD is not an employment contract or an offer to enter into an employment contract, nor does it constitute an agreement by the corporation to continue to maintain the plan described or referred to herein.

Amendment, Change, Modification, or Termination of Plan

Although Aerospace intends to continue the AERP, Aerospace reserves the right to amend, change, modify, or terminate the AERP at any time. Before amending, changing, modifying, or terminating the plan, the Plan Administrator will review with appropriate members of management, Vice Presidents and Senior Vice Presidents, as well as the President, any proposal to amend, change, modify or terminate the AERP. AERP amendments that include benefit modification(s) that exceed \$250,000 per year and the cumulative cost impact of such benefit modifications made during one Plan Year exceeding \$1,000,000 will be made upon recommendation of the President and approved by the Board of Trustees. The Board will be notified about AERP amendments that do not exceed the amounts set forth in the preceding sentence.

When required, or in the discretion of the President (or his designee), proposal(s) to amend, change, modify, or terminate the AERP will be submitted to the Board of Trustees (or responsible Board Committee) for review and appropriate action. Unless the decision to amend, change, modify, or terminate the plan requires action by the Board of Trustees, the Plan Administrator, subsequent to the review process described in this paragraph, will be authorized to make the final decision to amend, change, modify, or terminate the plan.

The determination of whether any decision to amend, change, modify or terminate the AERP requires action by the Board of Trustees will be made by reference to the terms of the insurance contract or other document relating to the provision of AERP benefits. If the contract or document is silent on this point, the Plan Administrator will be deemed to have the authority to amend, change, modify, or terminate the AERP without requiring any action by the Board of Trustees. During the process described in this paragraph, Aerospace will comply with all applicable agreements that affect employee benefits. Aerospace's decision to amend, change, modify, or terminate the AERP may be due to changes in Federal or state laws governing welfare benefits, the requirements of the IRC, the requirements of the Employee Retirement Income Security Act of 1974 (ERISA), the provisions of a contract or a policy involving an insurance company, or for any other reason.

Your ERISA Rights

As a Participant in AERP you are entitled to certain rights and protections under ERISA. ERISA provides that all AERP 1 Participants shall be entitled to:

Receive Information About the AERP and Benefits

Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites and union halls, all documents governing the AERP, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the AERP with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.

Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the AERP, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated SPD. The Plan Administrator may make a reasonable charge for the copies.

Receive a summary of the AERP's annual financial report. The Plan Administrator is required by law to furnish each AERP 1 Participant with a copy of this SPD .

Obtain a statement telling you whether you have a right to receive a pension at age 65 and if so, what your benefits would be at normal retirement age if you stop working under the AERP now. If you do not have a right to a pension, the

statement will tell you how many more years you have to work to get a right to a pension. This statement must be requested in writing and is not required to be given more than once every twelve (12) months. The AERP must provide the statement free of charge.

Prudent Actions by AERP Fiduciaries

In addition to creating rights for AERP Participants, ERISA imposes duties upon the people who are responsible for the operation of the AERP. The people who operate your plan, called “fiduciaries” of the plan, have a duty to do so prudently and in the interest of you and other plan Participants and beneficiaries. No one, including Aerospace, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a pension benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a pension benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of AERP documents or the latest annual report from the AERP and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If you have a claim for benefits, which is denied or ignored, in whole or in part, you may file suit in a state or Federal court. In addition, if you disagree with the AERP’s decision or lack thereof concerning the qualified status of a domestic relations order or a medical child support order, you may file suit in Federal court. If it should happen that AERP fiduciaries misuse the AERP’s money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Your Questions

If you have any questions about the AERP, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain

certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.