

THE AEROSPACE EMPLOYEES' RETIREMENT PLAN

(Federal Employer I.D. No. 95-2102389; Plan No. 001)

NOTICE REGARDING PLAN BENEFITS

To: Active AERP2 Participants (with an original hire date or most recent rehire date on or after January 1, 1993)

The Aerospace Professional Staff Association

From: David Roberts, Plan Administrator

Date: August 15, 2018

The Aerospace Corporation (the "Company") is providing you with this notice to inform you of certain changes being made to The Aerospace Employees' Retirement Plan (the "Plan"). This notice serves as a summary of material modifications to your Summary Plan Description for the Plan, so you should keep this notice in your records, along with your copy of the Plan's Summary Plan Description.

This notice is also intended to satisfy the requirements of Section 4980F of the Internal Revenue Code and Section 204(h) of the Employee Retirement Income Security Act (ERISA).

WHAT CHANGES ARE BEING MADE TO THE PLAN?

Effective October 1, 2018, your benefit accruals under the Plan will be frozen. This means that you will no longer be eligible to accrue a benefit under the Plan, and any compensation you earn or service you complete with the Company on and after October 1, 2018 will not be considered in calculating your Fixed or Variable Benefit under the Plan.

WILL THE FREEZE REDUCE OR OTHERWISE AFFECT THE PLAN BENEFIT I HAVE EARNED THROUGH SEPTEMBER 30, 2018?

No. The Plan benefit that you have earned through September 30, 2018 will be protected.

- Any vested Fixed Benefit or Variable Units that you have earned under the Plan through September 30, 2018 will not be reduced or eliminated.
- Once you are vested, you are guaranteed to receive your Fixed Benefits / Variable Units, in accordance with the terms of the Plan. Please note, however, that the Payment Value of your Variable Units will continue to increase or decrease each January 1, in accordance with the terms of the Plan. Additional information about the Variable Benefit and your Variable Units can be found in your Summary Plan Description.

WHAT WILL BE THE IMPACT ON MY FUTURE BENEFIT ACCRUALS UNDER THE PLAN?

Your current Plan benefit will not increase as a result of any future compensation or service with the Company.

Your Plan benefit has two components: the Fixed Benefit and the Variable Benefit.

Fixed Benefit

- The Fixed Benefit formula under the Plan provides for a normal retirement benefit at age 65, based on your Eligible Compensation and the Social Security Wage Base (each as described in more detail in your Summary Plan Description). Each Plan Year that you participate in the Plan, you are eligible to accrue a portion of your annual Fixed Benefit as follows:

.25% of Eligible Compensation, up to 50% of the Social Security Wage Base in effect at the beginning of that Plan Year, plus

.50% of Eligible Compensation in excess of 50% of the Social Security Wage Base in effect at the beginning of that Plan Year

Your accrued Fixed Benefit will increase with an annual cost of living adjustment each year, if applicable.

- Effective October 1, 2018, your Fixed Benefit will be frozen. Your Fixed Benefit will be calculated as of September 30, 2018, and will not increase as a result of additional service or compensation on or after that date. However, the Fixed Benefit that you have earned as of September 30, 2018 will remain eligible for an annual cost of living increase, in accordance with the terms of the Plan.

Variable Benefit

- The Variable Benefit under the Plan is expressed in units rather than dollar amounts. You accrue a number of Variable Units for each Plan Year in which you participate in the AERP, based on your Eligible Compensation. When you retire, your initial annual Variable Benefit is determined by multiplying all of the Variable Units you have accrued during your years as a Plan participant by the Payment Value of the Variable Units at retirement.
- Currently, you are eligible to accrue Variable Units each Plan Year per this benefit formula:
.50% of Eligible Compensation, divided by the Purchase Value of a Variable Unit on September 30 of that Plan Year.
- Because the Payment Value of your Variable Units changes at the end of each Plan Year, the Variable Benefit portion of the Plan benefit may go up or down each January 1.
- Effective October 1, 2018, you will no longer accrue new Variable Units under the Plan. The Payment Value of your Variable Units will continue to go up or down each January 1 based on the rate of return of the Plan's Variable, Alternate Variable, or Portfolio A investments, as applicable. For more information on how the Payment Value of your Variable Units is determined each year, please refer to your Summary Plan Description.

Below is an example of how a typical participant will be impacted by the plan change. We have used the following assumptions for our sample:

- Participant will retire with 25 years of service (and current pay = \$135k)
- Historical and future pay increases of 4%
- Historical and future unit value changes (purchase and payment value) of 3%
- Cost of living adjustment of 2%
- Top row of tables (below) reflects all benefits to-date (for initial 10 years of service)

Here is an estimate of the benefit if there were no change in plan formula:

Annual Fixed Benefit Accrual Before Plan Changes - AERP 2					
Years of Service	Plan Annual Salary ⁽¹⁾	Integration Level	Annual Fixed Benefit Accrual	Cost of Living Increase ⁽²⁾	Accumulated Annual Fixed Benefit (EOY)
1-10					\$4,520
11	\$135,000	\$63,477	\$516	\$90	5,126
12	140,400	65,699	538	103	5,767
13	146,016	67,998	560	115	6,442
14	151,857	70,378	583	129	7,154
15	157,931	72,841	608	143	7,905
16	164,248	75,390	633	158	8,696
17	170,818	78,029	659	174	9,529
18	177,651	80,760	686	191	10,406
19	184,757	83,587	715	208	11,329
20	192,147	86,513	744	227	12,300
21	199,833	89,541	775	246	13,321
22	207,826	92,675	807	266	14,394
23	216,139	95,919	841	288	15,523
24	224,785	99,276	876	310	16,709
25	233,776	102,751	912	334	17,955

Annual Variable Unit Accrual Before Plan Changes - AERP 2					
Years of Service	Plan Annual Salary ⁽¹⁾	Variable Benefit Base	Assumed Purchase Value ⁽²⁾	Variable Units Credited	Accumulated Annual Variable Units (EOY)
1-10					596
11	\$135,000	675	10.7513	63	659
12	140,400	702	11.0738	63	722
13	146,016	730	11.4060	64	786
14	151,857	759	11.7482	65	851
15	157,931	790	12.1006	65	916
16	164,248	821	12.4636	66	982
17	170,818	854	12.8375	67	1,049
18	177,651	888	13.2226	67	1,116
19	184,757	924	13.6193	68	1,184
20	192,147	961	14.0279	68	1,252
21	199,833	999	14.4487	69	1,321
22	207,826	1,039	14.8822	70	1,391
23	216,139	1,081	15.3287	71	1,462
24	224,785	1,124	15.7886	71	1,533
25	233,776	1,169	16.2623	72	1,605

Annual Accrued Benefit:	
Fixed Benefit	\$17,955
Variable Benefit (1,605 units * Assumed unit value = 16.2623)	<u>26,101</u>
Total Annual Benefit	\$44,056

Here is a revised estimate of the benefit after the change in plan formula:

Annual Fixed Benefit Accrual After Plan Changes - AERP 2					
Years of Service	Plan Annual Salary ⁽¹⁾	Integration Level	Annual Fixed Benefit Accrual	Cost of Living Increase ⁽²⁾	Accumulated Annual Fixed Benefit (EOY)
1-10					\$4,520
11	\$135,000	N/A	\$0	\$90	4,610
12	140,400	N/A	0	92	4,702
13	146,016	N/A	0	94	4,796
14	151,857	N/A	0	96	4,892
15	157,931	N/A	0	98	4,990
16	164,248	N/A	0	100	5,090
17	170,818	N/A	0	102	5,192
18	177,651	N/A	0	104	5,296
19	184,757	N/A	0	106	5,402
20	192,147	N/A	0	108	5,510
21	199,833	N/A	0	110	5,620
22	207,826	N/A	0	112	5,732
23	216,139	N/A	0	115	5,847
24	224,785	N/A	0	117	5,964
25	233,776	N/A	0	119	6,083

Annual Variable Unit Accrual After Plan Changes - AERP 2					
Years of Service	Plan Annual Salary ⁽¹⁾	Variable Benefit Base	Assumed Purchase Value ⁽²⁾	Variable Units Credited	Accumulated Annual Variable Units (EOY)
1-10					596
11	\$135,000	N/A	10.7513	0	596
12	140,400	N/A	11.0738	0	596
13	146,016	N/A	11.4060	0	596
14	151,857	N/A	11.7482	0	596
15	157,931	N/A	12.1006	0	596
16	164,248	N/A	12.4636	0	596
17	170,818	N/A	12.8375	0	596
18	177,651	N/A	13.2226	0	596
19	184,757	N/A	13.6193	0	596
20	192,147	N/A	14.0279	0	596
21	199,833	N/A	14.4487	0	596
22	207,826	N/A	14.8822	0	596
23	216,139	N/A	15.3287	0	596
24	224,785	N/A	15.7886	0	596
25	233,776	N/A	16.2623	0	596

Annual Accrued Benefit:

Fixed Benefit	\$6,083
Variable Benefit (596 units * Assumed unit value = 16.2623)	<u>9,692</u>
Total Annual Benefit	\$15,775

The participant’s expected annual benefit decreased by \$28,281 due to the plan change (\$44,056 - \$15,775).

WHAT HAPPENS IF I AM NOT YET 100% VESTED IN MY BENEFIT UNDER THE RETIREMENT PLAN?

You may continue to earn Vesting Service so that you will have the opportunity to become 100% vested.

- If you are not yet vested in your benefit under the Plan as of September 30, 2018, your future service with the Company will continue to count as vesting service.
 - In other words, if you are not currently vested, you will still have the opportunity to become vested in the future.
 - You must have at least three (3) years of vesting service or reached age 65 to be eligible for a vested benefit.

HOW AND WHEN WILL MY RETIREMENT PLAN BENEFIT BE PAID?

The Plan’s current rules for starting your benefit have not been changed.

- Your vested benefit under the Plan will be payable to you or your beneficiary after you retire, die, or otherwise terminate your employment, in accordance with the rules of the Plan. However, the following changes are being made, effective October 1, 2018:
 - The Plan's automatic cashout limit will increase from \$1,000 to \$5,000. If the present value of your vested Plan benefit is \$5,000 or less when you leave employment with the Company, the present value of your vested (lump sum) benefit will be paid to you automatically. You will have the opportunity to elect to receive your lump sum in cash or to roll your lump sum into another qualified plan or IRA. If you do not make such an election, your lump sum will be paid to you in cash if the value of your lump sum is \$1,000 or less. If your lump sum is greater than \$1,000, but less than or equal to \$5,000, it will be rolled into an IRA selected by the Plan Administrator.
 - If the present value of your benefit is greater than \$5,000 but less than \$20,000 you may elect to receive your benefit as a lump sum payment. The \$20,000 is an increase from the Plan's current lump sum payment threshold of \$10,000.

WILL ANY NEW BENEFITS BE OFFERED AS A RESULT OF THESE PLAN CHANGES?

Yes! Beginning October 1, 2018, you will be eligible to participate in a new 401(k) retirement program with the following features:

- Your 401(k) plan account will be available for loans, hardship withdrawals, and other in-service withdrawals;
- You will have the ability to invest your 401(k) plan account as you choose, including through a mutual fund brokerage window;
- The Company will make employer contributions to your 401(k) plan account based on your years of service with the Company;
- Beginning January 1, 2019, you will have the ability to make pre-tax, Roth, and after-tax contributions to your 401(k) plan account. If you do not either affirmatively enroll in the 401(k) plan or affirmatively elect not to contribute to the plan, then on January 1, 2019, you will be automatically enrolled in the plan and treated as though you had elected to contribute 3% of your eligible compensation as pre-tax contributions each pay period;
- Beginning January 1, 2019, each pay period, the Company will make matching contributions equal to 100% of your pre-tax or Roth contributions, up to 3% of your eligible compensation; and
- All contributions, including employer contributions, will be 100% vested when made.

Look for more information in the coming weeks, including workshops presented by Fidelity Investments, which you can attend to learn how to optimize your 401(k) retirement benefit and customize it to serve your needs. If you have any questions about this information, please contact the Aerospace Retirement Office at 310-336-5107.

Nothing in this Notice states or implies any guarantee of continued employment with the Company or any of its affiliates. The Plan may be modified, amended or terminated, in whole or in part, at any time, in any manner, or with respect to any individuals, including but not limited to employees, retirees, and their dependents and alternate payees. In the event anything described in this Summary of Material Modification conflicts with the terms of the Plan document, the Plan document will control. You can obtain copies of the Plan document through your HR local representative.