

THE AEROSPACE EMPLOYEES' RETIREMENT PLAN

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

NOTICE REGARDING PLAN BENEFITS

To: Active AERP 1 Participants (with an original hire date or most recent hire date on or before 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?

1. Variable Benefit – Accruing Variable Units
 - a. Generally: For the Plan Year beginning October 1, 2018 through the Plan Year ending September 30, 2023, you will be eligible to accrue additional Variable Units, at a higher rate than previously, provided you remain employed with the Company as an AERP 1 participant. Effective October 1, 2023, you will cease to accrue Variable Units under the Plan.
 - b. While receiving Long-Term Disability Benefits: Employees who commence long-term Disability Leave (as defined in the Plan) on or after October 1, 2018 will no longer be eligible to accrue Variable Units during this period.
 - c. After age 70½: After September 30, 2018, employees who reach or have reached their Required Beginning Date (the April 1st after the calendar year in which they reach age 70½), will have additional Variable Unit accruals offset by their annuity equivalent of any Plan benefit payments made to the Employee during that year (as is permissible under IRS rules). Because benefit payments received from the Plan after the Required Beginning Date reflect many years of benefit accruals, there is likely to be a full offset of the Variable Units which otherwise would have accrued for the year.
2. Fixed Benefit Accruals: Effective October 1, 2018, you will no longer be eligible to accrue a Fixed Benefit under the Plan. This means that any compensation you earn and any service you complete on and after October 1, 2018 will not be considered in determining your Fixed Benefit.

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

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

- All vested Fixed Benefits and 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 Plan benefit, in accordance with the terms of the Plan.
- Please note that (i) your Fixed Benefit will continue to grow with an annual cost of living increase, if applicable, and (ii) 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 Plan benefit is made up of a Variable Benefit and a Fixed Benefit. Both of these benefits are changing, as described below.

Changes to Variable Benefit -- Generally:

- The Variable Benefit under the Plan is accrued 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 and the Purchase Value (as described in more detail in your Summary Plan Description). When you retire, your annual Variable Benefit in any year is determined by multiplying all of the Variable Units you have accrued during your years as a Plan participant by the current Payment Value of the Variable Units.
- Currently, you are eligible to accrue Variable Units each Plan Year based on the following annual benefit formula:
 - 1.0% of Eligible Compensation, divided by the Purchase Value of a Variable Unit on September 30 of that Plan Year.**
- For the Plan Years beginning on October 1, 2018 through the Plan Year ending on September 30, 2023, you will be eligible to accrue more Variable Units, due to an increased accrual rate. During this period, if you remain employed as an AERP 1 participant, you will be eligible to accrue Variable Units based on the following annual benefit formula:
 - 1.3% of Eligible Compensation, divided by the Purchase Value of a Variable Unit on September 30 of that Plan Year.**
- Effective October 1, 2023, Variable Unit accruals under the Plan will be frozen. This means that you will stop earning new Variable Units under the Plan on and after that date. However, 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, 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.

Changes to Variable Benefit – While Disabled:

- Currently, if you are on a Company-approved Disability Leave, meaning that you remain on an approved leave of absence, and are either (i) eligible to receive benefits under a long-term disability plan of the Company, or (ii) eligible to receive Social Security disability benefits, you will continue to accrue Variable Units during your Disability Leave through September 30, 2023.
- Beginning October 1, 2018, if the effective date for your Company long-term disability benefits or Social Security disability benefits is on or after October 1, 2018, you will not be

eligible to accrue Variable Units during your Disability Leave. You will stop earning Variable Units after the first six months of your approved leave of absence.

Changes to Variable Benefit – After Age 70½:

- If you remain employed with the Company as of your Required Beginning Date (the April 1st of the calendar year following the year that you reach age 70½), you must begin receiving payment of your Plan benefit as of that date. Currently, you are eligible to continue to accrue Variable Units under the Plan's Variable Benefit formula after your Required Beginning Date if you remain employed with the Company as an AERP 1 participant (although, as described above, accruals will cease September 30, 2023).
- Effective October 1, 2018, your Variable Unit accruals for each Plan Year beginning with your Required Beginning Date will be offset by the annuity equivalent of the Plan payments you receive for that year. Because benefit payments you receive from the Plan after the Required Beginning Date reflect many years of benefit accruals, it is likely that your net accrual of Variable Units for the year will be zero.

Changes to Fixed Benefit:

- Currently, the Fixed Benefit formula under the Plan provides for a normal retirement benefit at age 65, based on your Eligible Compensation and the Integration Level (currently \$9,600.00), and for each Plan Year that you are an eligible AERP 1 participant, you are eligible to accrue a portion of your annual Fixed Benefit as follows:

**.5% of Eligible Compensation, up to the Integration Level, plus
1.0% of Eligible Compensation in excess of the Integration Level**

- Effective October 1, 2018, Fixed Benefit accruals under the Plan will be frozen. This means that your Fixed Benefit will be calculated as of September 30, 2018, and will not increase as a result of additional service or compensation 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.

CAN YOU GIVE ME SOME EXAMPLES OF HOW MY PLAN BENEFITS MAY BE AFFECTED BY THESE CHANGES?

Below is an example of how a typical participant will be impacted by the freeze of the Fixed Benefit accruals and the increase in the Variable Unit accruals. For this example, the following assumptions were made:

- Participant retires with 36 years of service
- Current pay = \$130k
- Historical and future pay increases of 4%
- Historical and future unit value changes (Purchase and Payment Value) of 3%
- Additional cost of living adjustment of 2%
- Top row of tables (below) reflect all benefits earned to-date (for initial 30 years of service)

Currently, the Fixed Benefit and Variable Units accrue as follows:

TABLE 1

Annual Fixed Benefit Accrual Before Plan Changes - AERP 1					
Years of Service	Plan Annual Salary	Integration Level	Annual Fixed Benefit Accrual	Cost of Living Increase	Accumulated Annual Fixed Benefit (EOY)
1-30					\$26,752
31	\$130,001	\$9,600	\$1,252	\$535	28,539
32	135,201	9,600	1,304	571	30,414
33	140,609	9,600	1,358	608	32,380
34	146,233	9,600	1,414	648	34,442
35	152,082	9,600	1,473	689	36,604
36	158,165	9,600	1,534	732	38,870

Annual Variable Unit Accrual Before Plan Changes - AERP 1					
Years of Service	Plan Annual Salary	Variable Benefit Base	Assumed Purchase Value	Variable Units Credited	Accumulated Annual Variable Units (EOY)
1-30					2,776
31	\$130,001	\$1,300	12.1362	107	2,883
32	135,201	1,352	12.5003	108	2,991
33	140,609	1,406	12.8753	109	3,100
34	146,233	1,462	13.2616	110	3,210
35	152,082	1,521	13.6594	111	3,321
36	158,165	1,582	14.0692	112	3,433

Annual Accrued Benefit:	
Fixed Benefit	\$38,870
Variable Benefit (3,433 units * Assumed unit value = 14.0692)	<u>48,300</u>
Total Annual Benefit	\$87,170

Effective October 1, 2018, the Fixed Benefit will be frozen and the Variable Units will accrue at a higher rate (through September 30, 2023):

TABLE 2

Annual Fixed Benefit Accrual After Plan Changes - AERP 1					
Years of Service	Plan Annual Salary	Integration Level	Annual Fixed Benefit Accrual	Cost of Living Increase	Accumulated Annual Fixed Benefit (EOY)
1-30					\$26,752
31	\$130,001	N/A	\$0	\$535	27,287
32	135,201	N/A	0	546	27,833
33	140,609	N/A	0	557	28,390
34	146,233	N/A	0	568	28,958
35	152,082	N/A	0	579	29,537
36	158,165	N/A	0	591	30,128

Annual Variable Unit Accrual After Plan Changes - AERP 1					
Years of Service	Plan Annual Salary	Variable Benefit Base	Assumed Purchase Value	Variable Units Credited	Accumulated Annual Variable Units (EOY)
1-30					2,776
31	\$130,001	\$1,690	12.1362	139	2,915
32	135,201	1,758	12.5003	141	3,056
33	140,609	1,828	12.8753	142	3,198
34	146,233	1,901	13.2616	143	3,341
35	152,082	1,977	13.6594	145	3,486
36	158,165	N/A	14.0692	0	3,486

Annual Accrued Benefit:

Fixed Benefit	\$30,128
Variable Benefit (3,486 units * Assumed unit value = 14.0692)	<u>49,045</u>
Total Annual Benefit	<u>\$79,173</u>

The participant's expected benefit decreased by \$7,997 due to the plan change (\$87,170 - \$79,173).

Effective October 1, 2018, the Fixed Benefit will be frozen and the Variable Units will accrue at a higher rate while actively working but will cease to accrue after 6 months of the commencement date of your approved Disability Leave:

TABLE 3 (modified from TABLE 2 but assumes participant completes 6 months of approved Disability Leave on September 30, 2019)

Annual Fixed Benefit Accrual After Plan Changes to LTD - AERP 1					
Years of Service	Plan Annual Salary	Integration Level	Annual Fixed Benefit Accrual	Cost of Living Increase	Accumulated Annual Fixed Benefit (EOY)
1-30					\$26,752
31	\$130,001	N/A	\$0	\$535	27,287
32	135,201	N/A	0	546	27,833
33	140,609	N/A	0	557	28,390
34	146,233	N/A	0	568	28,958
35	152,082	N/A	0	579	29,537
36	158,165	N/A	0	591	30,128

Annual Variable Unit Accrual After Plan Changes to LTD - AERP 1					
Years of Service	Plan Annual Salary	Variable Benefit Base	Assumed Purchase Value	Variable Units Credited	Accumulated Annual Variable Units (EOY)
1-30					2,776
31	\$130,001	\$1,690	12.1362	139	2,915
32	135,201	N/A	12.5003	0	2,915
33	140,609	N/A	12.8753	0	2,915
34	146,233	N/A	13.2616	0	2,915
35	152,082	N/A	13.6594	0	2,915
36	158,165	N/A	14.0692	0	2,915

Annual Accrued Benefit:	
Fixed Benefit	\$30,128
Variable Benefit (2,915 units * Assumed unit value = 14.0692)	<u>41,012</u>
Total Annual Benefit	\$71,140

The participant's expected benefit decreased by \$16,030 (\$87,170 - \$71,140) due to plan formula as well as accruals during Disability Leave.

Effective October 1, 2018, the number of Variable Units accrued after the Participant's Required Beginning Date will be offset by the annuity equivalent of the benefit paid to the Participant that year:

Below is an example of how a participant who works beyond age 70½ will be impacted by the plan change. For this example, the following assumptions were made:

- Earnings equal \$130,000,
- Benefit received in the prior year is \$59,000, and

- The annuity equivalent factor = 10, meaning the \$59,000 benefit payment has an annuity equivalent of \$5,900.

Under the new, higher Variable Unit accrual formula, the Participant's *initial* accrual would be calculated as: $\$130,000 * 1.3\% / \text{purchase value of } 12.14 = 139 \text{ units}$. The value of those units is $139 * 12.14 = \$1,690$.

However, because the Participant received a benefit of \$59,000 in such year, and the annuity equivalent of the \$59,000 benefit is \$5,900/year, the initial accrual of \$1,690 is reduced by the \$5,900 (but not below \$0). Therefore, the participant earns no net Variable Units for the year.

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, your benefit will be paid to you automatically. You will have the opportunity to elect to receive your benefit in cash or to roll your benefit into another qualified plan or IRA. If you do not make a rollover election, your benefit will be paid to you in cash if the value of your benefit is \$1,000 or less. If the value of your benefit 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 a lump sum payment of your Plan benefit. This is an increase from the Plan's current lump sum payment threshold of \$10,000.

ARE ANY ADDITIONAL CHANGES BEING MADE TO THE PLAN?

Effective October 1, 2023, the Plan's Survivor Income Benefit (SIB) coverage will be eliminated.

- The Plan's SIB provides certain monthly benefits to your spouse or dependent children if you die while actively employed. Effective October 1, 2023, SIB coverage will be eliminated. This means that no SIB benefits will be paid to participants who die on or after that date. Additional information will be provided closer to October 1, 2023.

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

Yes! Beginning January 1, 2019, you will be eligible to participate in a new 401(k) retirement program with the following features:

- You will have the ability to make pre-tax, Roth, and after-tax contributions to your 401(k) plan account;
- Your 401(k) plan account will be available for loans, hardship withdrawals, and other in-service withdrawals; and
- You will have the ability to invest your 401(k) plan account as you choose, including through a mutual fund brokerage window.

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.