Date: December 16, 2022
To: **The Aerospace Employees' Retirement Plan (AERP) Participants**
From: Plan Administrator
Subject: **The Aerospace Employees' Retirement Plan Funding Notice**

No Impact on Your Accrued Benefits

*The benefits you have already earned under **The Aerospace Employees' Retirement Plan** have not changed.*

If you are a retiree or beneficiary and are currently receiving benefits from the Plan, your rights to those benefits have not changed.

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

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

Understanding the Annual Funding Notice

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

The asset and liability measures used to determine the company's annual contribution to the Plan for 2019, 2020 and 2021 are summarized in the "*Funding Target Attainment Percentage"* section on page 2 of the Notice. These values are as of October 1 of the respective year.

As you can see, our Plan trust was at least 80% funded as of October 1, 2021. Generally, while a plan is at least 80% funded, it is not subject to restrictions under the Pension Protection Act on its ability to pay or accrue benefits.

Near the top of page 3 of the Notice, you will see the *"Year-End Assets and Liabilities"* section. This section discloses total Plan assets and liabilities as of September 30, 2022. The year-end amounts are rough estimates as the Plan's actuary has not completed the current year actuarial valuation. The actual 2022 Funding Target Attainment Percentage will be shown in the next year's Notice.

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

SUPPLEMENT TO ANNUAL FUNDING NOTICE

OF THE AEROSPACE EMPLOYEES' RETIREMENT PLAN (PLAN) FOR

PLAN YEAR BEGINNING OCTOBER 1, 2021

AND ENDING SEPTEMBER 30, 2022 (PLAN YEAR)

This is a temporary supplement to your annual funding notice which is required by the Moving Ahead for Progress in the 21st Century Act (MAP-21), the Highway and Transportation Funding Act of 2014 (HATFA '14), the Bipartisan Budget Act of 2015 (BBA 2015), the American Rescue Plan Act (ARPA) of 2021, and the Infrastructure Investment and Jobs Act (IIJA) of 2021. These federal laws changed how pension plans calculate their liabilities. The purpose of this supplement is to show you the effect of these changes. Prior to 2012, pension plans determined their liabilities using a two-year average of interest rates. Now pension plans also must take into account a 25-year average of interest rates. This means that interest rates likely will be higher and plan liabilities lower than they were under prior law. As a result, the Corporation may contribute less money to the plan at a time when market interest rates are at or near historical lows.

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

INFORMATION TABLE						
	Plan Year Beginning October 1, 2021		**Plan Year Beginning October 1, 2020**		**Plan Year Beginning October 1, 2019**	
	With Adjusted Interest Rates	**Without Adjusted Interest Rates**	**With Adjusted Interest Rates**	**Without Adjusted Interest Rates**	**With Adjusted Interest Rates**	**Without Adjusted Interest Rates**
Funding Target Attainment Percentage	96.63%	85.65%	91.31%	84.32%	89.74%	83.43%
Funding Shortfall	82,383,314	396,469,447	205,061,455	400,477,016	233,698,129	405,965,061
Minimum Required Contribution	21,673,454	45,569,722	63,804,782	93,923,598	40,113,100	61,509,517

Adjusted by MAP-21, HATFA '14, BBA 2015, ARPA, and IIJA interest rates. The Aerospace Corporation elected ARPA relief for the October 1, 2021 funding valuation.

ANNUAL FUNDING NOTICE
For
The Aerospace Employees' Retirement Plan (AERP)

Introduction

This notice includes important information about the funding status of your single-employer pension plan (the "Plan"). It also includes general information about the benefit payments guaranteed by the Pension Benefit Guaranty Corporation ("PBGC"), a federal insurance agency. All traditional pension plans (called "defined benefit pension plans") must provide this notice every year regardless of their funding status. This notice does not mean that the Plan is terminating. It is provided for informational purposes and you are not required to respond in any way. This notice is required by federal law. This notice is for the plan year beginning October 1, 2021 and ending September 30, 2022 ("Plan Year").

How Well Funded Is Your Plan

The law requires the administrator of the Plan to tell you how well the Plan is funded, using a measure called the "funding target attainment percentage." The Plan divides its Net Plan Assets by Plan Liabilities to get this percentage. In general, the higher the percentage, the better funded the plan. The Plan's Funding Target Attainment Percentage for the Plan Year and each of the two preceding plan years is shown in the chart below. The chart also shows you how the percentage was calculated.

Funding Target Attainment Percentage			
	2021	**2020**	**2019**
1. Valuation Date	October 1, 2021	October 1, 2020	October 1, 2019
2. Plan Assets			
a. Total Plan Assets	2,452,917,458	2,281,237,031	2,161,880,420
b. Funding Standard Carryover Balance	0	0	0
c. Prefunding Balance	85,381,645	126,093,718	117,304,372
d. Net Plan Assets (a) – (b) – (c) = (d)	2,367,535,813	2,155,143,313	2,044,576,048
3. Plan Liabilities	2,449,919,127	2,360,204,768	2,278,274,177
4. Funding Percentage before Credit Balance Subtraction (2a)/(3)	**100.12%**	**96.65%**	**94.89%**
5. Funding Target Attainment Percentage (2d)/(3)	**96.63%**	**91.31%**	**89.74%**

Plan Assets and Credit Balances

The chart above shows certain "credit balances" called the Funding Standard Carryover Balance and Prefunding Balance. A plan might have a credit balance, for example, if in a prior year an employer contributed money to the plan above the minimum level required by law. Generally, an employer may credit the excess money toward the minimum level of contributions required by law that it must make in future years. Plans must subtract these credit balances from Total Plan Assets to calculate their Funding Target Attainment Percentage. Although credit balances are subtracted from plan assets for purposes of calculating the funding target attainment percentage, the amounts that make up the credit balance remain a part of the Plan's actual assets that are available to pay benefits.

Plan Liabilities

Plan Liabilities in line 3 of the chart above is an estimate of the amount of assets the Plan needs on the Valuation Date to pay for promised benefits under the Plan.

Year-End Assets and Liabilities

The asset values in the chart above are measured as of the first day of the Plan Year. As of September 30, 2022, the fair market value of the Plan's assets was $1,839,279,393. On this same date, the Plan's liabilities were estimated to be $2,133,000,000. The year-end amounts are rough estimates as the Plan's actuary has not completed the current year actuarial valuation.

Participant Information

The total number of participants in the Plan as of the Plan's valuation date was 8,336. Of this number, 2,986 were active participants, 3,586 were retired or separated from service and receiving benefits, 1,070 were retired or separated from service and entitled to future benefits, and 694 were deceased participants whose beneficiaries are receiving or are entitled to receive benefits.

Funding & Investment Policies

Every pension plan must have a procedure to establish a funding policy for plan objectives. A funding policy relates to how much money is needed to pay promised benefits. The funding policy of the Plan's sponsor is to contribute an amount each year to the Plan equal to the greater of (i) the assignable cost less prepayment credits from the prior year, if any, as determined under Cost Accounting Standard 412 or (ii) the minimum required contribution, as determined under ERISA

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

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

Asset Allocations	Percentage
Stocks	46.2%
Investment grade debt instruments	42.4%
High-yield debt instruments	1.8%
Real estate	5.4%
Other	4.2%

Right to Request a Copy of the Annual Report

Pension plans must file annual reports with the US Department of Labor. The report is called the "Form 5500." These reports contain financial and other information. You may obtain an electronic copy of your Plan's annual report by going to www.efast.dol.gov and using the search tool. Annual reports also are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1515, Washington, DC 20210, or by calling 202.693.8673. Or you may obtain a copy of the Plan's annual report by making a written request to the plan administrator. Annual reports do not contain personal information, such as the amount of your accrued benefits. You may contact your plan administrator, Dave Roberts at 2310 East El Segundo Boulevard, M1/059, El Segundo, CA 90245-4609 if you want information about your accrued benefits.

Summary of Rules Governing Termination of Single-Employer Plans

If a plan terminates, there are specific termination rules that must be followed under federal law. A summary of these rules follows.

There are two ways an employer can terminate its pension plan. First, the employer can end a plan in a "standard termination" but only after showing the PBGC that such plan has enough money to pay all benefits owed to participants. Under a standard termination, a plan must either purchase an annuity from an insurance company (which will provide you with periodic retirement benefits, such as monthly for life or for a set period of time when you retire) or, if the plan allows, issue one lump-sum payment that covers your entire benefit. Your plan administrator must give you advance notice that identifies the insurance company (or companies) selected to provide the annuity. The PBGC's guarantee ends upon the purchase of an annuity or payment of the lump-sum. If the plan purchases an annuity for you from an insurance company and that company becomes unable to pay, the applicable state guaranty association guarantees the annuity to the extent authorized by that state's law.

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

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

Benefit Payments Guaranteed by the PBGC

When the PBGC takes over a plan, it pays pension benefits through its insurance program. Only benefits that you have earned a right to receive and that cannot be forfeited (called vested benefits) are guaranteed. Most participants and beneficiaries receive all of the pension benefits they would have received under their plan, but some people may lose certain benefits that are not guaranteed.

The amount of benefits that the PBGC guarantees is determined as of the plan termination date. However, if a plan terminates during a plan sponsor's bankruptcy, then the amount guaranteed is determined as of the date the sponsor entered bankruptcy.

The PBGC maximum benefit guarantee is set by law and is updated each calendar year. For a plan with a termination date or sponsor bankruptcy date, as applicable in 2022, the maximum guarantee is $6,204,55 per month, or $74,454.60 per year, for a benefit paid to a 65-year-old retiree with no survivor benefit. If a plan terminates during a plan sponsor's bankruptcy, the maximum guarantee is fixed as of the calendar year in which the sponsor entered bankruptcy. The maximum guarantee is lower for an individual who begins receiving benefits from PBGC before age 65 reflecting the fact that younger retirees are expected to receive more monthly pension checks over their lifetimes. Similarly, the maximum guarantee is higher for an individual who starts receiving benefits from PBGC after age 65. The maximum guarantee by age can be found on the PBGC's website, www.pbgc.gov. The guaranteed amount is also reduced if a benefit will be provided to a survivor of the plan participant.

The PBGC guarantees "basic benefits" earned before a plan is terminated, which includes:

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

The PBGC does not guarantee certain types of benefits:

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

In some circumstances, participants and beneficiaries still may receive some benefits that are not guaranteed. This depends on how much money the terminated plan has and how much the PBGC recovers from employers for plan underfunding.

For additional general information about the PBGC and the pension insurance program guarantees, go to the "General FAQs about PBGC" on PBGC's website at www.pbgc.gov/generalfaqs. Please contact your employer or plan administrator for specific information about your pension plan or pension benefit. PBGC does not have that information. See "Where to Get More Information," below.

Where to Get More Information

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

Glossary of Terms Used in the AERP Annual Funding Notice

American Rescue Plan Act (ARPA) of 2021 – This law, in effect on March 11, 2021, updates the BBA 2015 (see below) funding stabilization provisions. Under ARPA, the funding corridor is set to 5% through 2025, after which it will increase 5% per year until it reaches 30% in 2030. A 5% floor applies to each of the 25-year average segment interest rates used to set the corridor. This change is effective for plan years beginning in 2020, although plan sponsors may elect to defer it until 2021 or 2022.

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

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

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

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

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

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

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

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

Infrastructure Investment and Jobs Act (IIJA) of 2021 – This law, in effect on November 15, 2021, extends the ARPA (see above) funding stabilization provisions. Under IIJA, the funding corridor is set to 5% through 2030, after which it will increase 5% per year until it reaches 30% in 2035.

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

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

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

Plan Liabilities – See “Funding Target”.

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

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