Sandia National Laboratories

RETIREMENT INCOME PLAN

Revised: Effective January 1, 2013

Summary Plan Description

Contents

SUMMARY PLAN DESCRIPTION

FOR

THE SANDIA CORPORATION RETIREMENT INCOME PLAN

Introduction

Sandia Corporation ("Sandia") is pleased to sponsor for your benefit the Sandia Corporation Retirement Income Plan (the "RIP"), which is designed to provide a source of continuing income during retirement for covered employees.

This Summary Plan Description (SPD) explains how to determine if you will be eligible for a pension when you retire or terminate your employment. Under certain circumstances, reduced pension benefits can be continued to your Spouse or a contingent annuitant, following your death.

Currently, employees who retire with a service or disability pension are eligible for certain health care and life insurance benefits provided by Sandia. These retiree benefits, which are explained in separate SPDs, are *not* provided to employees who leave Sandia and qualify for only a deferred vested pension.

This SPD is a summary of the RIP as of January 1, 2013. The pension benefits described in this SPD apply to Eligible Employees (as defined in Questions 1 and 2) who experience a Termination of Employment (as defined in Appendix A) with Sandia or an Affiliated Company (as defined in Appendix A) on or after this date. More detailed information is contained in the official Sandia Corporation Retirement Income Plan document, which governs the operation of this plan. In the event there is or appears to be any discrepancy between the terms of the RIP document and this SPD, the terms of the RIP document control. Please read this SPD carefully and share it with your family.

Please Note: All capitalized terms appearing in this SPD are defined in Appendix A.

IMPORTANT: The RIP is maintained at the discretion of Sandia and is *not* intended to create a contract of employment and does *not* change the at-will employment relationship between you and Sandia. The Sandia Board of Directors (or its designated representative) reserves the right to amend (in writing) any or all provisions of the RIP, and to terminate (in writing) the RIP at any time without prior notice.

Summary of Plan Changes

This section contains a brief description of the material Plan changes that have been implemented since the previous SPD.

Effective December 31, 2012, the Sandia Corporation Pension Security Plan (PSP) merged into the RIP (the "Merger"). As a result of the Merger, benefits earned under the PSP are frozen as of December 31, 2012 (your "Frozen PSP Benefit") and, effective as of the Merger Date (January 1, 2013), active PSP Participants (as defined in Appendix A) become eligible to earn additional pension benefits under the "Greater of Formula," discussed in Question 6 and Appendix B of this SPD. In addition, effective January 1, 2012, the RIP formula changed as described in Question 5.

Please Note: The benefit formula change referred to above and described in Question 6 and Appendix B applies *only* to those active participants in the PSP who were on roll as of January 1, 2013, which is the effective date of the Merger. The benefit formula change does *not* apply to participants already terminated or retired prior to January 1, 2013.

PLEASE NOTE: The RIP specifically provides that in no event will a PSP Participant's benefit under the RIP as of the Merger Date be less than the benefit that the participant was entitled to from the PSP on the day before the Merger Date.

1. Who is Eligible to Participate in the RIP?

You are eligible to participate in the RIP if you are an "Eligible Employee" (*see* Question 2, below) and you were participating in the RIP on December 31, 2012. In addition, Eligible Employees who were participants in the PSP become participants in the RIP as of January 1, 2013. The RIP is closed to "Rehires" and to "New Hires" (*see* Appendix A for the definitions of those terms). An individual ceases to be a participant in the RIP when he or she ceases to have an accrued benefit in the RIP.

2. Who is an Eligible Employee?

An "Eligible Employee" for purposes of participation in the RIP is an employee who works for Sandia, *other than* the following:

(a) a Leased Employee (*see* Appendix A),

(b) a non-resident alien with no United States source income,

(c) an individual whose earnings and conditions of employment are governed by the terms of a collective bargaining agreement unless and to the extent that a written agreement between Sandia and the relevant union makes such coverage available,

(d) an individual who is eligible to participate in another defined benefit pension plan sponsored by Sandia,

(e) an employee on loan from another Affiliated Company who is accruing service credit under another pension plan of that Affiliated Company,

(f) a student intern,

(g) a faculty sabbatical employee,

(h) a recurrent (on call) employee,

(i) a New Hire (*see* Appendix A), or

(j) a Rehire (*see* Appendix A).

A PSP Participant will become an Eligible Employee on the Merger Date, provided that PSP Participant continues to satisfy the definition of an Eligible Employee.

If you are rehired by Sandia after the Applicable Closure Date (as defined in Appendix A), you will *not* be eligible to earn additional retirement benefits under the RIP during your period of re-employment. There are certain circumstances, however, under which an individual can return to work with Sandia and *not* be treated as a Rehire. Those circumstances are described in Appendix A. If you have a question about your eligibility, please contact the Plan

Administrator to determine whether you are eligible to earn future benefits under the RIP, and what service counting rules apply to you.

3. How Does the RIP Count Service for Purposes of Determining Benefits?

Your service with Sandia (and any Affiliated Company) may be accounted for separately for various purposes, which are discussed in Questions 4 through **7**, below. The rules for counting service are explained below.

(a) **Plan Service.** (*Note:* "Plan Service" is different from "Credited Service," which is described in (b), below.) Plan Service is used to determine your eligibility for a Service Pension, early retirement benefits and breaks in service. Plan Service is *not* used to calculate the amount of your pension benefits — "Credited Service" is used for this purpose. Plan Service consists of your current period of continuous Sandia employment as an Eligible Employee, plus the following adjustments:

- The first 30 days of an unpaid absence or approved Leave of Absence (LOA) if you return to Sandia immediately at the end of the absence or leave. Only one 30-day period will be credited within a single fiscal year.
- The entire period of a Special Leave of Absence (for reasons such as service with another DOE contractor, service with a college or university, a tribal government appointment, or an assignment with a government agency, other than military service), if you return to Sandia immediately at the end of the leave. However, you will *not* accrue benefits under this Plan if you are entitled to accrued pension benefits under another employer's pension Plan for the same service.
- Qualified military service during a leave from the Company, as required by law.
- Up to 6 months of unpaid absence from a temporary layoff due to a reduction in force if you are re-hired in an eligible job classification within 4 years of the layoff.
- Approved unpaid administrative leave of absence due to a suspension, cancellation, or revocation of a security clearance, if you again return to work as an Eligible Employee as provided in applicable written Sandia policy.
- Certain prior continuous service with Sandia in an ineligible job classification (such as student intern) if you convert from that ineligible job classification (except for a Leased Employee) to an eligible job classification within 30 days.
- Prior service with an Affiliated Company.
- Your service as a Rehire.

(b) **Credited Service.** Credited Service is used to calculate the amount of your pension benefit. It is based on your Plan Service, **less** the following adjustments:

- Periods for which you were eligible to contribute to the RIP before July 1, 1975 and:
    - Elected *not* to make contributions, or
    - Elected to withdraw and *not* repay your contributions if you terminated and were later rehired.
- Prorated service for periods of part-time employment. The proration of service will be based on your scheduled hours of work in relation to a full-time employee. For this purpose, all part-time employees are "deemed" to be scheduled to work at least 50% time.
- Periods of service with an Affiliated Company that are *not* accompanied by a transfer of assets from the Affiliated Company's tax qualified pension plan.

In no event will you earn more than one full year of Credited Service during any Plan Year.

(c) **Vesting Service.** Vesting service determines your eligibility for a deferred vested pension. Your pension benefit will become vested, or nonforfeitable, after you have completed five Years of Service. Beginning with the year of your 18th birthday, a Year of Service for Vesting is a calendar year of service in which you are credited with 1,000 hours of service with an Affiliated Company.

Full-time employees are credited with 45 hours of Vesting service for each week they are paid for one or more hours. Part-time employees, or employees who are employed for no more than three consecutive weeks and for no more than a total of 30 days in a calendar year, are credited with 10 hours of Vesting service for each day in which they are paid for one or more hours.

(d) **Bridging Rules.** If you have a Termination of Employment with Sandia and are later rehired, your prior Plan Service cannot be included with your service after the break in service until it is bridged, as described in the following three paragraphs.

If you terminate and incur a One-Year Break in Service, your Plan Service after the break will *not* be taken into account under the RIP until you have completed one Year of Service after your re-employment date. Upon completion of one Year of Service after your re-employment date, your Plan Service before the break in service will be aggregated with your Plan Service earned after the date you were rehired by Sandia.

If you terminate employment before you are vested and incur 5 or more consecutive One Year Breaks in Service, your prior Plan Service will be disregarded if you are rehired, unless you complete 5 years of Plan Service after your re-employment date.

If you return to work within five years after receiving a lump sum distribution of your pension benefit, you must repay the amount of the lump sum plus interest compounded annually at 120% of the applicable federal mid-term rate (AFR) in order to bridge your previous Plan Service and Credited Service. The repayment must be made by the earlier of:

- Five years after the lump sum was paid; or
- The second anniversary of your reemployment.

If you return to work more than five years after receiving a lump sum distribution, your prior service will *not* be bridged under any circumstances.

Rehires will *not* accrue additional Credited Service (i.e., retirement benefits) under any circumstances; however, pursuant to the bridging rules, they may accrue additional years of Vesting service.

These rules apply to breaks-in-service occurring on or after January 1, 2008. For bridging rules pertaining to a break in-service occurring prior to January 1, 2008, please consult the Plan Administrator.

4. When am I Eligible for Pension Payments and When do they Start?

(a) **What Is a Service Pension?** A Service Pension is your earned retirement benefit, calculated as described in Questions 4 and 5, and payable to (a) you in the forms described in Question 12.

(b) **When Do I Qualify For a Service Pension?** You are eligible to retire with a Service Pension when you meet both the following minimum age and Plan Service requirements while still employed by Sandia or an Affiliated Company:

Minimum (Age)	Minimum Plan Service
Any age	30 years
50	25 years
55	20 years
60	15 years
65	10 years

Your Plan Service used to determine eligibility for a Service Pension will *not* be affected by part-time employment.

If you leave Sandia before meeting the requirements for a Service Pension, you may be eligible for a deferred vested pension.

(c) **What Is a Deferred Vested Pension?** If you leave Sandia with at least 5 years of Vesting service and are *not* eligible for a Service Pension, then you are eligible for a deferred vested pension. After you leave Sandia, you will receive a statement showing the amount of your deferred vested pension. If you do *not* receive this statement, contact the Plan Administrator.

If the present value of your deferred vested pension is $5,000 or less, your pension will be paid to you in a lump sum, as described in Question 18.

If you leave Sandia before your retirement benefit becomes vested, you will *not* be entitled to any pension benefits from the RIP.

(d) **<u>What is My Pension Commencement Date?</u>** If you are eligible for a Service Pension, you may start your pension annuity payments as soon as the day following your Termination of Employment. Alternately, you may delay the start of your pension payments to a later date, but no later than the April 1st of the calendar year following the calendar year in which you attain age 70½. If you elect to defer the start of your pension payments, the retirement age factor used to calculate your pension benefit will be based on your age when payments commence. However, unless you have waived the Preretirement Survivor Annuity, as described in Question 13, below, your benefit will automatically be reduced by the cost of pre-retirement survivor annuity coverage for each full or partial year of coverage between your termination date and the earlier of the date your pension payments commence or the date of your death.

If you are eligible for a deferred vested pension, your pension payments may start at age 65 (or when you have a Termination of Employment, if later). However, you may elect to begin receiving a reduced pension at an earlier date under the following circumstances:

- If your Plan Service is at least 20 years, you may begin receiving payments after you turn age 55; or

- If your Plan Service is at least 25 years, you may begin receiving payments after you turn age 50.

The reduction factors that apply when deferred vested pension payments start before age 65 are illustrated in Appendices G, H, and I.

You will normally receive your first pension check within 45 days after your Annuity Starting Date (as described in Appendix A).

(e) **<u>When Do I Apply for My Pension?</u>** If you are eligible to retire with a Service Pension, you may apply within 180 days before your payments start. You should notify the Plan Administrator as soon as possible of your intention to retire.

Except as provided in the following paragraph, pensions are *not* paid automatically. You must apply in writing to the Plan Administrator in advance of the date you would like your payments to commence.

When you reach age 70½ and are vested in the RIP, you will begin receiving pension payments even if you are still employed. Payments begin on the April 1st following the calendar year in which you attain age 70½. If you continue to remain employed by Sandia, your pension will be recalculated each December 31st to determine the minimum required payments for the next year. In the event of your death, your surviving Spouse/beneficiary should contact the Plan Administrator as soon as possible, as a delay in commencing the payment of your death benefits could result in the imposition of excise tax.

5. How is my Benefit Calculated?

Note: If you are a prior PSP Participant and you became a participant in the RIP solely as a result of the merger of the PSP into the RIP, your pension benefit will be calculated as described in Question 6**,** below.

(a) **If you terminated or retired before January 1, 2012, your pension benefit is determined using the following formula:**

High-3 final average pay x a *Final Average Pay Retirement Age Factor* x *Credited Service*

Your *High-3 final average pay* is calculated by taking the sum of your eligible pension earnings for the 36 consecutive full calendar months within the most recent 10 years that produce the highest result, and dividing by three.

For purposes of this benefit formula, your eligible pension earnings include your base salary or wage plus non-permanent cash compensation awards, including Individual Performance Awards, Sandia Awards for Excellence, Special Recognition Awards, promotion and appointment awards, sign on bonuses, and incentive compensation awards under the Lockheed Martin Corporation Management Incentive Compensation Plan and the Lockheed Martin Deferred Management Incentive Compensation Plan. The sum of your eligible earnings recognized by the RIP for any calendar year may *not* exceed annual pay limits established by the Internal Revenue Code. The 2013 eligible pay limit is $255,000.

Credited Service is limited to 50 years.

Your *Final Average Pay Retirement Age Facto*r will be determined by your age, stated in terms of years and fully completed months since your last birthday, on the date your pension payments commence. The *Final Average Pay Retirement Age Factors* are illustrated in the following table:

Final Average Pay Retirement Age Factors Complete months since last birthday												
Age in Years	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
below 50	**1.04%**											
50	**1.04%**	**1.05%**	**1.05%**	**1.06%**	**1.07%**	**1.07%**	**1.08%**	**1.09%**	**1.09%**	**1.10%**	**1.11%**	**1.11%**
51	**1.12%**	**1.13%**	**1.13%**	**1.14%**	**1.15%**	**1.15%**	**1.16%**	**1.17%**	**1.17%**	**1.18%**	**1.19%**	**1.19%**
52	**1.20%**	**1.21%**	**1.21%**	**1.22%**	**1.23%**	**1.23%**	**1.24%**	**1.25%**	**1.25%**	**1.26%**	**1.27%**	**1.27%**
53	**1.28%**	**1.29%**	**1.29%**	**1.30%**	**1.31%**	**1.31%**	**1.32%**	**1.33%**	**1.33%**	**1.34%**	**1.35%**	**1.35%**
54	**1.36%**	**1.37%**	**1.37%**	**1.38%**	**1.39%**	**1.39%**	**1.40%**	**1.41%**	**1.41%**	**1.42%**	**1.43%**	**1.43%**
55	**1.44%**	**1.45%**	**1.45%**	**1.46%**	**1.47%**	**1.47%**	**1.48%**	**1.49%**	**1.49%**	**1.50%**	**1.51%**	**1.51%**
56	**1.52%**	**1.53%**	**1.53%**	**1.54%**	**1.55%**	**1.55%**	**1.56%**	**1.57%**	**1.57%**	**1.58%**	**1.59%**	**1.59%**
57	**1.60%**	**1.61%**	**1.61%**	**1.62%**	**1.63%**	**1.63%**	**1.64%**	**1.65%**	**1.65%**	**1.66%**	**1.67%**	**1.67%**
58	**1.68%**	**1.69%**	**1.69%**	**1.70%**	**1.71%**	**1.71%**	**1.72%**	**1.73%**	**1.73%**	**1.74%**	**1.75%**	**1.75%**
59	**1.76%**	**1.77%**	**1.77%**	**1.78%**	**1.79%**	**1.79%**	**1.80%**	**1.81%**	**1.81%**	**1.82%**	**1.83%**	**1.83%**
60	**1.84%**	**1.85%**	**1.85%**	**1.86%**	**1.87%**	**1.87%**	**1.88%**	**1.89%**	**1.89%**	**1.90%**	**1.91%**	**1.91%**
61	**1.92%**	**1.93%**	**1.93%**	**1.94%**	**1.95%**	**1.95%**	**1.96%**	**1.97%**	**1.97%**	**1.98%**	**1.99%**	**1.99%**
62 & up	**2.00%**											

Subject to the rules for an early retirement benefit, the Final Average Pay Retirement Age Factor used for all those who do *not* meet the age and service requirements for an immediate Service Pension will be 2.0%, which is the factor that applies at Normal Retirement Age.

Example:

An employee with the following personal data retires with a Service Pension on December 31, 2011:

Date of birth:	March 20, 1951
Retirement age	60 years, 9 months
Credited Service	30.33 years
High-3 final average pay	$80,000

Here's how that employee's benefit will be calculated:

High-3 final average pay	$ 80,000
Multiplied by Credited Service	x 30.33
Multiplied by Final Average Pay Retirement Age Factor	x .019
Annual Pension	$ 46,101.60
Monthly Pension	$ 3,841.80

(b) **If you terminate or retire after December 31, 2011, your pension benefit will be determined using the following formula:**

High-3 final average pay through 12/31/11 x a *Final Average Pay Retirement Age Factor* x *Credited Service through 12/31/11(as calculated in (a), above)*

plus

Career Earnings x Career Average Retirement Age Factor

Your *High-3 final average pay* is calculated by taking the sum of your eligible pension earnings for the 36 consecutive fully completed calendar months within the 10 years ending December 31, 2011 that produce the highest result, and dividing by three.

Career Earnings means the sum of eligible pension earnings paid to you for each fully completed calendar month after December 31, 2011 while you are an Eligible Employee.

For purposes of this benefit formula, your eligible pension earnings include your base salary or wage plus non-permanent cash compensation awards, including Individual Performance Awards, Sandia Awards for Excellence, Special Recognition Awards, promotion and appointment awards, sign on bonuses, and incentive compensation awards under the Lockheed Martin Corporation Management Incentive Compensation Plan and the Lockheed Martin Deferred Management Incentive Compensation Plan. The sum of your eligible earnings recognized by the RIP for any calendar year may *not* exceed annual pay limits established by the Internal Revenue Code. The 2013 eligible pay limit is $255,000.

Credited Service is limited to 50 years.

The Age Factors used in the formula will be determined by your age, stated in terms of years and fully completed months since your last birthday, as of the date your pension payments become payable. The *Final Average Pay Retirement Age Factor* table is set forth earlier in this SPD. The *Career Average Retirement Age Factor*s are illustrated in the following table:

Career Average Retirement Age Factors Complete months since last birthday												
Age in Years	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
below 50	**1.17%**											
50	**1.17%**	**1.18%**	**1.19%**	**1.19%**	**1.20%**	**1.21%**	**1.22%**	**1.22%**	**1.23%**	**1.24%**	**1.24%**	**1.25%**
51	**1.26%**	**1.27%**	**1.28%**	**1.28%**	**1.29%**	**1.30%**	**1.31%**	**1.31%**	**1.32%**	**1.33%**	**1.33%**	**1.34%**
52	**1.35%**	**1.36%**	**1.37%**	**1.37%**	**1.38%**	**1.39%**	**1.40%**	**1.40%**	**1.41%**	**1.42%**	**1.42%**	**1.43%**
53	**1.44%**	**1.45%**	**1.46%**	**1.46%**	**1.47%**	**1.48%**	**1.49%**	**1.49%**	**1.50%**	**1.51%**	**1.51%**	**1.52%**
54	**1.53%**	**1.54%**	**1.55%**	**1.55%**	**1.56%**	**1.57%**	**1.58%**	**1.58%**	**1.59%**	**1.60%**	**1.60%**	**1.61%**
55	**1.62%**	**1.63%**	**1.64%**	**1.64%**	**1.65%**	**1.66%**	**1.67%**	**1.67%**	**1.68%**	**1.69%**	**1.69%**	**1.70%**
56	**1.71%**	**1.72%**	**1.73%**	**1.73%**	**1.74%**	**1.75%**	**1.76%**	**1.76%**	**1.77%**	**1.78%**	**1.78%**	**1.79%**
57	**1.80%**	**1.81%**	**1.82%**	**1.82%**	**1.83%**	**1.84%**	**1.85%**	**1.85%**	**1.86%**	**1.87%**	**1.87%**	**1.88%**
58	**1.89%**	**1.90%**	**1.91%**	**1.91%**	**1.92%**	**1.93%**	**1.94%**	**1.94%**	**1.95%**	**1.96%**	**1.96%**	**1.97%**
59	**1.98%**	**1.99%**	**2.00%**	**2.00%**	**2.01%**	**2.02%**	**2.03%**	**2.03%**	**2.04%**	**2.05%**	**2.05%**	**2.06%**
60	**2.07%**	**2.08%**	**2.09%**	**2.09%**	**2.10%**	**2.11%**	**2.12%**	**2.12%**	**2.13%**	**2.14%**	**2.14%**	**2.15%**
61	**2.16%**	**2.17%**	**2.18%**	**2.18%**	**2.19%**	**2.20%**	**2.21%**	**2.21%**	**2.22%**	**2.23%**	**2.23%**	**2.24%**
62 & up	**2.25%**											

Subject to the rules for an early retirement benefit, the Career Average Retirement Age Factor used for all those who do *not* meet the age and service requirements for an immediate Service Pension will be 2.25%, which is the factor that applies on and after age 62.

Example:

An employee with the following personal data retires with a Service Pension on January 1, 2013:

Date of birth:	March 20, 1951
Retirement age	61 years, 9 months
Credited Service through 12/31/11	30.33 years
High-3 final average pay	$80,000
Cumulative career earnings after 12/31/11	$83,000

Here's how that employee's benefit will be calculated:

High-3 final average pay	$ 80,000
Multiplied by Credited Service	x 30.33
Multiplied by Final Average Pay Retirement Age Factor	x .0198
	$48,042.72
Plus	
Cumulative career earnings after 12/31/11	$ 83,000
Multiplied by Career Average Retirement Age Factor	x .0223
	$ 1,850.90
Annual pension ($48,042.72 + 1,850.90)	$49,893.62
Monthly pension	$ 4,157.80

6. How is my Pension Calculated if I am a PSP Participant and Became a Participant in the RIP Solely as a Result of the Merger?

If you are an Eligible Employee who is a PSP Participant (as defined in Appendix A), your benefits earned under the PSP will be frozen as of December 31, 2012. Starting on January 1, 2013 you will be eligible to earn pension benefits under the RIP's "Greater of Formula," as described in (a) and (b), below. ***Your benefit under the RIP after January 1, 2013, will never be less than your benefit under the PSP on December 31, 2012.*** To help in understanding the "Greater of Formula" discussed below, please review the examples in Appendix B.

Please note that special provisions may apply to individuals who transferred from the PSP to the RIP or from the RIP to the PSP during 2012. If you want additional information about these special provisions, please contact the Plan Administrator.

On and after the Merger Date, a PSP Participant's Plan benefit will be the greater of (a) or (b) below:

(a) **Frozen PSP Benefit.** A PSP Participant's Frozen PSP Benefit is calculated based on the PSP benefit formula, but taking into account only the PSP Participant's assigned pension band, credited service and supplemental payments determined as of December 31, 2012 (*see* Appendix B) under the PSP. As discussed in (i) and (ii) below, there may be a reduction to a PSP Participant's Frozen PSP Benefit due to early commencement based on the PSP Participant's age and Plan Service. In this regard, please note that PSP Participants continue to earn Plan Service after the Merger Date, as long as they remain employed by Sandia and or any Affiliated Company, i.e., the additional service is only credited for purposes of the early commencement reduction described below.

(i) **<u>Service Pension</u>.** If you are eligible for a Service Pension (*see* Question 4), your Frozen PSP Benefit will be reduced for early commencement if you are less than 55 years of age or have fewer than 30 years of Plan Service on the date your Frozen PSP Benefit begins. The reduction is 0.5% of the Frozen PSP Benefit for every full or partial month that you are under age 55 if you have fewer than 30 years of Plan Service. If you are Service Pension eligible and you have attained age 55 when your Frozen PSP Benefit begins or you have at least 30 years of Plan Service, there will be no early commencement reduction to your Frozen PSP Benefit.

(ii) **<u>Deferred Vested Pension</u>.** If you have a Termination of Employment and are *not* eligible for a Service Pension, but you qualify for a Deferred Vested Pension (e.g., you have at least 5 Years of Service) and you are eligible for and elect to begin receiving your Deferred Vested benefit before attaining age 65, your Frozen PSP Benefit will be reduced for early commencement by the same percentage that would apply under the RIP and the "All Service Plan Benefit" formula discussed below. This is the same reduction that applied in the PSP immediately before the Merger. For example, if you elect to receive your Deferred Vested Pension as a single life annuity, you have 25 years of Plan Service, and you begin receiving your benefit at age 50, your Frozen PSP Benefit will be reduced by 68% for early commencement (i.e. commencement before attaining age 65).

(b) **<u>All Service Plan Benefit</u>.** A PSP Participant's "All Service Plan Benefit" is calculated based on the RIP benefit formula as though that PSP Participant's Credited Service and Plan Service with Sandia on and after the Merger Date as well as such service prior to the Merger Date (to the extent used to calculate the participant's Frozen PSP Benefit) had been performed under the RIP. As provided under the terms of the RIP, in order to receive an unreduced "All Service Plan Benefit" before attaining age 65, a PSP Participant must qualify for a Service Pension and begin his/her pension after attaining age 62.

Please Note: The benefit formula change described in this Question 6 and Appendix B applies *only* to those active participants in the PSP who were on roll as of January 1, 2013, which is the effective date of the Merger. The benefit formula change does *not* apply to participants already terminated or retired prior to January 1, 2013.

7. How do Absences Affect the Calculation of my Benefit?

In a case of an unpaid absence, the following rules apply for computing your pension earnings for purposes of determining your High-3 Final Average Pay for the period of the absence:

- For time absent occurring before January 1, 2012:
  - If you received Credited Service during the period of absence, and the absence occurred during your most recent 10 years of employment, earnings will be included based on the greater of:
    - Your base salary or wage rate at the time you began the unpaid absence; or

        - Eligible compensation you received during the most recent equal period of employment before the absence.

    - If you did *not* receive Credited Service during the unpaid absence and the absence occurred during your most recent 10 years of employment, earnings will be included in the benefit formula based on the eligible compensation you received during the most recent equal period of employment before the absence.

- For time absent occurring on and after January 1, 2012, earnings will be determined based on "Career Earnings," as defined in Question 5(b).

8. Will my Pension be Reduced if I Retire Early?

If you retire with a Service Pension before age 62 your pension will be permanently reduced. The early retirement penalties are reflected in the retirement age factors assigned to ages below 62. *See* Question 5 of this SPD.

9. Do any Special Provisions Apply to Employees Who Made Mandatory Contributions to the RIP?

There are special provisions which apply to employees who were employed by Sandia before July 1, 1975, and made mandatory contributions to the RIP (*see* Appendix E).

10. Do any Special Provisions Apply to Former Specialty Components Employees?

There are special provisions which apply to former employees of Specialty Components, Incorporated whose pension benefits transferred to the RIP (*see* Appendix F).

11. What Happens to my Benefit if I don't Stop Working Until After my Normal Retirement Age?

If you terminate your employment with Sandia after reaching your Normal Retirement Age, you are eligible to receive a postponed retirement benefit. In general, your postponed retirement benefit is equal to your Normal Retirement Benefit (*see* Questions 5 and 6) based on your earnings and service as of your Termination of Employment.

12. What Happens if I Die While Still Working for Sandia?

(a) **Vested with Plan Service Less than 15 Years.** If you die after becoming eligible for a deferred vested pension (but before completing at least 15 years of Plan Service or becoming eligible for a Service Pension), your eligible surviving Spouse will receive a lifetime annuity equal to your reduced deferred vested pension amount. To qualify for this annuity, your Spouse must have been married to you for the one year period ending on the date of your death. Your reduced deferred vested pension amount is computed as if you had terminated employment on the date before you died and elected the Joint and 100% Surviving Spouse Annuity at age 65 (subject to a 14% reduction) (*see* Joint and 100% Surviving Spouse Annuity).

The Joint and 100% Surviving Spouse annuity will be payable to your Spouse starting with the date you would have turned age 65. However, if the present value of the annuity is $5,000 or less, your Spouse's pension will be paid in a lump sum.

(b) **Plan Service at Least 15 Years or Eligible for a Service Pension.** If you die after completing at least 15 years of Plan Service or becoming eligible for a Service Pension, your surviving Spouse will receive a lifetime annuity equal to your reduced pension benefit. This benefit is computed as if you had retired on the date before you died and elected the Joint and 100% Surviving Spouse Annuity (subject to a 10% reduction). The early retirement reduction does *not* apply, even if you died before reaching age 62 (*see* Joint and 100% Surviving Spouse Annuity).

The survivor annuity will be payable to your Spouse starting on the day after your death. However, if the present value of the annuity is $5,000 or less, your Spouse's pension will be paid in a lump sum.

13. What are my Pension Payment Options under the RIP?

(a) **Normal Form of Benefit for an Unmarried Participant.** If you are *not* married when your pension commences, your normal form of payment is a single life annuity. As an alternative, you may elect the Joint and 50% Contingent Survivor Annuity form of payment.

(b) **Normal Form of Benefit for Married Participants.** If you are married when your pension commences, your pension will automatically be reduced to provide a Joint and 100% Surviving Spouse Annuity unless you waive this form of payment and elect an alternate form with the written consent of your Spouse. Any such waiver must be in writing and notarized.

No less than 30 and no more than 180 days before your payments commence, Sandia will provide you with a written explanation of the Joint and 100% Surviving Spouse Annuity that also describes the process for waiving this form of payment. You must submit a signed election or waiver of the survivor annuity to Sandia Benefits Department within the 180 day election period before your payments commence. You have the right to change your mind (with spousal consent) any time during the 180-day election period. However, your election or waiver cannot be changed for any reason, including a change in your marital status after the 180-day election period ends.

If the Joint and 100% Surviving Spouse Annuity is in effect when your pension payments commence the person to whom you were married on that date remains entitled to the survivor annuity even if you are later separated or divorced. This is true whether either or both of you remarry.

(c) **Joint and 100% Surviving Spouse Annuity.** The Joint and 100% Surviving Spouse Annuity option provides a reduced pension to you as long as you are alive. Your monthly service or disability pension amount is reduced by 10% (or 14% for deferred vested pensions) to provide this survivor annuity. Following your death, and except as otherwise may be provided in a Qualified Domestic Relations Order (*see* Questions 14 and 16), the Spouse to whom you were married when your pension payments commenced will receive a lifetime annuity equal to your reduced pension.

If your Spouse dies before you, the 10% (or 14%) reduction is discontinued starting with the month after your Spouse's death.

Example:

Assume an employee with a gross monthly pension benefit of $3,841.80 is married when Service Pension payments commence and elects the Joint and 100% Surviving Spouse Annuity. Here is an illustration of that employee's pension benefits:

Gross Monthly Pension	$3,841.80
10% Reduction for Survivor Annuity	- 384.18
Employee's Monthly Pension	$3,457.62
Surviving Spouse's Monthly Pension	$3,457.62

(d) **Joint and 50% Surviving Spouse Annuity.** The Joint and 50% Surviving Spouse Annuity option provides a reduced pension to you as long as you are alive. Your monthly service or disability pension amount is reduced by 5% (or 7% for deferred vested pensions) to provide this survivor annuity. Following your death, and except as may be otherwise provided in a Qualified Domestic Relations Order (*see* Questions 14 and 16), the Spouse to whom you were married when your pension payments commenced will receive a lifetime annuity equal to one-half of your reduced pension.

If your Spouse dies before you, the 5% (or 7%) reduction is discontinued starting with the month after your Spouse's death.

Example:

Let's assume an employee with a gross monthly pension benefit of $3,841.80 is married when Service Pension payments commence and elects the Joint and 50% Surviving Spouse Annuity. Here is an illustration of that employee's pension benefits:

Gross Monthly Pension	$3,841.80
5% Reduction for Survivor Annuity	- 192.09
Employee's Monthly Pension	$3,649.71
Surviving Spouse's Monthly Pension	$1,824.86

(e) **Joint and 50% Contingent Survivor Annuity.** The Joint and 50% Contingent Survivor Annuity option is available to all employees who are eligible for a pension regardless of their marital status. With this form of payment, you may name anyone other than your Spouse as a contingent annuitant to receive monthly benefits after your death. Your monthly pension payments are reduced by a factor based on the ages of you and your selected annuitant (*see* Appendix J for the factors for service and disability pensions and Appendix K for the factors for deferred vested pensions). Following your death, your contingent annuitant will receive a lifetime annuity equal to one-half of your reduced pension.

If a distribution is to be made to a minor, the Plan Administrator may direct that part or all of the distribution be paid to the legal guardian, parent, responsible adult or custodian of the minor.

If your contingent annuitant dies before you, the reduction is discontinued starting with the month after his or her death.

Example:

Assume an employee with a gross monthly pension benefit of $3,841.80 is *not* married when Service Pension payments commence and there is no Qualified Domestic Relations Order. The employee names a son who is 23 years younger as a contingent annuitant. Here's an illustration of that employee's pension benefits:

Gross Monthly Pension	$3,841.80
9% Reduction for Survivor Annuity form	- 345.76
Employee's Monthly Pension	$3,496.04
Surviving Annuitant's Monthly Pension	$1,748.02

(f) **Preretirement Survivor Annuity.** If you are married when you leave Sandia or an Affiliated Company and your pension does *not* commence the day after your termination, your pension will automatically be reduced to provide a Joint and 100% Surviving Spouse Annuity unless you waive the survivor annuity with the notarized written consent of your Spouse. To qualify for this annuity, your Spouse must have been married to you for the one-year period ending on the date of your death. [*Note: the one-year marriage rule in the preceding sentence does* ***not*** *apply in the case of a current Sandia employee who is eligible for a Service Pension or who has at least 15 years of Plan Service.*]

In effect, the Preretirement Survivor Annuity coverage protects your Spouse's right to a survivor annuity if you die after you terminate your employment with Sandia but before you begin receiving payment of your pension. Upon your death, your surviving Spouse is eligible to receive a lifetime annuity equal to your reduced pension computed as if you had elected the Joint and 100% Surviving Spouse Annuity.

You can decline or reelect this coverage at any time after you leave Sandia and before you begin receiving pension payments. However, your Spouse must consent anytime you decline the coverage. If you elect this coverage, your pension will be permanently reduced, once you start receiving payments, to pay for the cost of each full or partial calendar year the coverage is in effect.

The amount of the reduction for each year of coverage is based on your age, as follows:

Your Age on January 1 of the Year of Coverage	Reduction for Each Full or Partial Year of Coverage
Less than 45	.30% (.0030)
45 – 54	.40% (.0040)
55 – 59	.70% (.0070)
60 – 64	1.00% (.0100)
65 – 69	1.40% (.0140)
70 - 74	2.20% (.0220)

Example:

If you terminate employment at age 59 and begin an annual deferred vested pension of $6,000 ($500 per month) at age 65, the cost for Preretirement Survivor Annuity coverage is computed as follows:

Annual Pension at age 65:	$ 6,000
Annual Pension reduced by (i) and (ii), below	
(i) 1 year for age 59: 0070 x $6,000 = $42, plus	
(ii) 5years for ages 60 – 64: 5 x .0100 x $6,000 = $300	
Total Reduction ($300 + $42)	342
Reduced Annual Pension at 65 ($6,000 - $342)	$ 5,658
Reduced Monthly Pension at age 65 ($5,658/12)	$471.50

IMPORTANT: This example illustrates the reduction in a pension for the cost of pre-retirement survivor annuity coverage. An additional reduction will apply for post-retirement survivor annuity coverage when pension payments commence.

14. What Circumstances Could Cause a Reduction in my Benefits?

(a) **Married Participant**. If a married participant dies after his or her accrued benefit has vested, but before his or her Annuity Starting Date, that participant's surviving Spouse (if any) is eligible to receive a Preretirement Survivor Annuity as described in Question 12(a) and (b), based on the participant's status at the time of his or her death, as described in (b) and (c), below. If the participant dies before his or her Annuity Starting Date and there is no surviving Spouse, then no death benefit will be payable under the RIP.

(b) **<u>Death</u>**. If you are *not* married when you die and you die before you are eligible to begin receiving benefits (*see* Question 4), your Plan benefits will be forfeited except for refunds of your employee contributions, if any.

(c) **<u>Plan Termination</u>**. If the RIP is terminated (*see* Question 25) and it is *not* fully funded, your benefit could be reduced.

(d) **<u>Lost Participant or Beneficiary</u>**. If the Plan Administrator is unable to locate you, your surviving Spouse, or your beneficiary for 2 years from the date a benefit is required to be paid, all or a portion of your Plan benefits could be forfeited.

(e) **<u>Funding</u>**. If the RIP is less than 80% funded, IRS benefit restrictions may apply (e.g., restrictions on the amount of benefits that can be paid in the form of a lump sum).

15. If I am Receiving Benefits under the RIP, can my Benefits be Suspended?

If a Participant who is receiving retirement benefits under the RIP is reemployed by Sandia or an Affiliated Company after the Participant's Normal Retirement Age, benefit payments will be suspended for any month in which the Participant completes 40 or more Hours of Service for Sandia. Notwithstanding the preceding sentence, reemployed Participants who have attained age 70½ will receive or continue to receive minimum required distributions, in accordance with the law and Appendix B of the RIP document.

The Plan Administrator will notify the Participant if his or her retirement benefits are suspended. The notice will explain the reason for suspending benefits, including citations to the relevant Plan document sections and Department of Labor regulations. The notice also will inform the Participant that the RIP's Claims Procedures may be used to request a review of the suspension. (*See* Appendix D.)

If a Participant who is receiving retirement benefits under the RIP is reemployed by Sandia or an Affiliated Company before the Participant's Normal Retirement Age, payment of retirement benefits will stop (and be permanently withheld) as of the Participant's reemployment date. If such a Participant is reemployed by Sandia, upon such a Participant's subsequent termination of reemployment with Sandia prior to Normal Retirement Age, the Participant's monthly early retirement benefit will be recomputed to reflect additional Credited Service (if any) and Earnings (if any) attributable to the Participant's reemployment, and an adjustment will be made to the early retirement factor (if any) applicable to the Participant's benefit earned prior to the suspension.

Please Note: As explained in Question 1 and Appendix A, effective as of the Applicable Closure Date, a Rehire is *not* an Eligible Employee. This means, for example, that no additional Credited Service, earnings, supplemental payments (within the meaning of the PSP), or increases in pension bands (within the meaning of the PSP) will apply to a Rehire.

16. What Happens if I Get a Divorce?

If you get a divorce and the Plan Administrator determines that there is a Qualified Domestic Relations Order ("QDRO"), all or part of your Plan benefits may be payable directly to your former Spouse, or to another individual (each an "alternate payee") despite your choice of benefit form. Payments pursuant to a QDRO are subject to all applicable reductions for early commencement. When a QDRO is being sought, the Plan Administrator or its delegate may communicate with you, your Spouse or attorneys for you and your Spouse. You may obtain a written description of the RIP's QDRO procedures at no charge from the QDRO processor – Aon Hewitt, Sandia Qualified Order Team, P.O. Box 1433, Lincolnshire, IL 60069-1433; QDRO FAX Line – 847-883-9313.

17. What is a Rollover?

In order to delay taxation of all or part of a lump sum payment (if any), that payment generally can be directly rolled over to an eligible individual account plan of your choice. Information regarding rollovers is available from the Plan Administrator at the address and telephone number indicated in this SPD. (*See* also Question 18, below.)

18. What is a Lump Sum Distribution?

Certain benefits under the RIP will be paid in a single lump sum if the present value of these benefits is $5,000 or less and pension payments have *not* begun. The determination of present value is based on actuarial calculations which take into account your age and assumptions regarding interest rates and life expectancy.

The lump sum distribution will be made as soon as administratively practicable after your termination or death. If the present value of your pension benefit is $1,000 to $5,000, your benefit will automatically be transferred to an IRA at Prudential Bank and Trust, FBS, unless you elect to receive the distribution or directly roll over the benefit to an eligible retirement plan. If the present value of your benefit is $1,000 or less, you may elect to roll over the balance to an eligible retirement plan of your choice, or receive a distribution less any applicable tax withholdings.

Once a lump sum distribution has been made, you and/or your Spouse have no further entitlement to benefits under the RIP.

19. Can Plan Assets be Attached by Creditors?

Generally, no part of the Trust fund can be used as security for a loan, or attached by creditors of any Plan Participant or by creditors of any company. The RIP must, however, honor properly prepared Qualified Domestic Relations Orders (*see* Question 16), and the RIP may be required to honor certain Federal tax levies. In addition, Plan expenses can be paid from Plan assets.

20. What Happens if I am Overpaid by the RIP?

The RIP may withhold the amount of a prior erroneous payment or overpayment made to any person under the RIP from one or more subsequent payments to, or with respect to, that person, or the RIP may pursue other lawful means of recovering an erroneous payment or overpayment.

21. What Happens If I Take a Military Leave?

If you take a military leave of absence that qualifies as a leave under the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), and you return to covered employment, you generally will be credited with benefits and service credit as if you had remained employed during this period of time. In addition, if you die on or after January 1, 2007, while performing qualified military service, your survivors will receive, to the extent required by law, any additional benefits (other than benefit accruals) that would have been provided under the RIP if you had resumed employment and then terminated employment on account of death. For more information about military leave, please contact the Plan Administrator.

22. Do Collective Bargaining Agreements Provide for Plan Participation?

Yes. Collective bargaining agreements provide for participation of certain employees in this Plan. You may examine a copy (or obtain a copy) of a collective bargaining agreement that applies to you by contacting the Plan Administrator. You may be charged for copies of any documents you request. The name of any union whose members participate in this Plan is available from the Plan Administrator.

23. Is this Plan Subject to "Top Heavy" the Rules?

The Internal Revenue Service has issued special minimum vesting and benefit formulas for "top heavy" plans, which are plans under which the value of the benefits earned by certain key employees (generally, officers and owner employees) is more than 60% of the value of benefits earned by all covered employees. In the unlikely event that the RIP was to become "top heavy," the following Vesting schedule would apply instead of the 5 years of service normally required to vest.

Years of Vesting Service	Vesting Percentage
less than 2	0
2	20
3	40
4	60
5	100

Also, if the RIP were to become "top heavy" each non-key employee must be provided with at least a minimum benefit while the RIP is "top heavy."

24. Does the RIP Give Employment Rights?

No. This Plan does *not* provide anyone with any right to continue employment with any employer or affect the right of any employer to terminate anyone's services at any time with or without cause.

25. Can the RIP be Amended or Terminated?

Sandia reserves the right to amend the RIP in writing or to terminate the RIP at any time.

If the RIP is terminated or if Sandia determines that the RIP is partially terminated, you will have a vested right to your accrued benefit to the extent it is funded. If, at the time of termination, the Trust has additional assets beyond those necessary to fund all vested benefits and pay all Plan expenses, the excess will revert to Sandia.

Upon termination of the RIP, neither Sandia nor its affiliates will be liable for any benefit payable under the RIP. Your rights of recovery will be solely against the RIP Trust.

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

The PBGC guarantee generally covers: (i) Normal and Early Retirement Pensions; (ii) Disability benefits (if any) if you become disabled before the RIP terminates; and (iii) certain benefits for your survivors.

The PBGC guarantee generally does *not* cover: (i) Benefits greater than the maximum guaranteed amount set by law for the year in which the RIP terminates; (ii) 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 RIP terminates; (iii) benefits that are *not* vested because you have *not* worked long enough for Sandia; (iv) benefits for which you have *not* met all of the requirements at the time the RIP terminates; (v) 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 RIP's Normal Retirement Age; and (vi) non-pension benefits, such as health insurance, life insurance, certain death benefits, vacation pay, and severance pay.

Even if some of your benefits are *not* guaranteed, 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 guarantees, 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 website on the Internet at http://www/pbgc/gov.

26. How is the RIP Administered?

The RIP is administered by the Plan Administrator (*see* "Other Important Information"). The Plan Administrator has full discretionary authority to administer and interpret the RIP, including discretionary authority to determine eligibility for participation and for benefits under the RIP, to establish and administer investment options, to appoint one or more investment managers, to correct errors (to the extent practicable), and to construe ambiguous terms. The Plan Administrator may delegate its discretionary authority and such duties and responsibilities as it deems appropriate to facilitate day-to-day administration of the RIP and, unless the Plan Administrator provides otherwise, such a delegation will carry with it the full discretionary authority to accomplish the delegation. Determinations by the Plan Administrator or the Plan Administrator's authorized delegate will be final and conclusive upon all persons. Expenses incurred in administering the RIP will be paid from the Trust if *not* paid by an employer.

27. How can I Appeal a Decision About my Plan Benefits?

If you think an error has been made in determining your benefits, then you (or a duly authorized representative) may make a written request for any Plan benefits to which you believe you are entitled. The RIP's Claims and Appeal Procedure is attached as Appendix D to this SPD.

28. What are my ERISA Rights?

As a Participant in the RIP, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all Plan Participants shall be entitled to:

- Examine without charge, at the Plan Administrator's office, all documents governing the RIP including collective bargaining agreements and a copy of the latest annual report (Form 5500 series) filed by the RIP 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 RIP, including collective bargaining agreements, the latest annual report (Form 5500 series) and an updated summary plan description. The Plan Administrator may make a reasonable charge for the copies.
- Receive a summary of the RIP's funded status.
- Obtain a statement telling you whether you have a right to receive a benefit at Normal Retirement Age and if so, what your benefits would be at Normal Retirement Age if you stop working under the RIP now. If you do *not* have a right to a benefit, the statement will tell you how many more years you have to work to get a right to a benefit. This statement must be requested in writing and is *not* required to be given more than once every twelve (12) months. The RIP must provide the statement free of charge.

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

If your claim for a 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 Plan documents or the latest annual report from the RIP 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 Plan 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 after exhausting the claims procedure described in Appendix D of this SPD. In addition, if you disagree with the RIP's decision or lack thereof concerning the qualified status of a domestic relations order, you may file suit in Federal court after exhausting the claims procedure described in Appendix D. However, again, you must pursue all administrative and appeals procedures described Appendix D as a precondition to challenging the denial of a claim in a lawsuit. Such exhaustion of administrative procedures applies equally to claims for (i) recovery of Plan benefits; (ii) enforcement of rights under the terms of the RIP; and (iii) clarification of rights to future benefits under the terms of the RIP.

If it should happen that Plan fiduciaries misuse the RIP'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.

If you have any questions about your Plan, 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.

29. Other Important Information

Plan Sponsor

Sandia Corporation is the RIP Sponsor. Inquiries should be directed to:

Sandia Corporation
P.O. Box 5800, MS 1302
Albuquerque, NM 87185-1302
(505) 284-2168

Plan Administrator

The Employee Benefits Committee is the Plan Administrator. Inquiries should be directed to:

Employee Benefits Committee
P.O. Box 5800, MS 1022
Albuquerque, NM 87185-1022
(505) 284-1800

The Employee Benefits Committee has full discretionary authority to administer and interpret the RIP, including full discretionary authority to determine eligibility for participation and for benefits under the RIP, to correct Plan errors (to the extent practicable), and to construe ambiguous terms. Determinations by the Employee Benefits Committee (or its authorized delegate) will be final and conclusive upon all persons.

Notwithstanding the forgoing paragraph, the Sandia Corporation Employee Benefits Claim Review Committee has the exclusive, full and final authority to hear and determine appeals of claims denied by the Employee Benefits Committee.

Agent for Service of Legal Process

Corporation Service Company (CSC) is the agent for service of legal process for the Sandia Corporation Retirement Income Plan and the Sandia Corporation Employee Benefits Committee. The contact information for CSC is as follows:

Main:
2711 Centerville Road, Suite 400
Wilmington, DE 19808

Local:
125 Lincoln Ave., Suite 223
Santa Fe, NM 87501
(505) 989-7500

2730 Gateway Oaks Dr., #100
Sacramento, CA 95833
(916) 641-5100

Identification Numbers

The Employer Identification Number assigned to Sandia by the IRS is 85-0097942. The RIP Identification Number for the Retirement Income Plan is 006.

Plan Type

The Retirement Income Plan is a defined benefit pension plan. Under this type of plan, your benefit is determined using a formula, and contributions are made to the RIP to fund required benefit payments.

Funding Arrangement

The cost of providing benefits for eligible employees hired after July 1, 1975 is paid entirely by the Company. If you were hired before July 1, 1975, the cost of providing your Plan benefits earned before July 1, 1975 is paid partially by employee contributions plus interest and the balance is paid by the Company. Employee contributions were discontinued on July 1, 1975.

The amount (if any) of Sandia contribution to the Trust is determined annually by the RIP's enrolled actuary. Plan benefits are paid by Prudential Financial from Trust assets. The Trust assets are held under a contract with Prudential Financial (30 Scranton Office Park, Scranton, PA 18507-1789) and under a trust agreement with The Northern Trust Sandia (50 South LaSalle Street, Chicago, IL 60603).

Plan Year

The RIP year is a calendar year, beginning each January 1 and ending December 31.

Payments Under Law

Pension benefits will *not* be reduced by pensions or benefits paid under the Social Security Act, the Railroad Retirement Act, or due to military service. However, if any other law currently in effect (such as Workers' Compensation) or any law enacted in the future should provide payments like those provided by this Plan, Plan benefits will be limited to the amount in excess of those paid under the law.

Maximum Limitations

Federal regulations limit the amount of annual compensation that can be recognized by a qualified Plan's benefit formula, and the amount of benefits that can be paid to any individual from a pension Plan's trust fund. These limitations normally affect only the higher-paid employees (or, in some cases, employees retiring at an early age) and are subject to periodic change by the IRS.

Nonassignment of Benefits

You cannot assign or transfer amounts payable under the RIP. Similarly, amounts payable to you under the RIP may *not* be used to pay debts or obligations of any nature except to comply with properly executed federal tax levies and judgments, settlements or directions to third parties allowed by the RIP and addressed by Internal Revenue Code Section 401(a)(13), and with court-issued QDROs. A QDRO could require the RIP to distribute all or part of a participant's vested benefit to an alternate payee. In order to be honored, Sandia must determine that the domestic relations order meets specified legal standards.

APPENDIX A:
Definitions

Accumulation	Contributions made to the prior contributory pension Plan for service before July 1, 1975, plus credited interest on those contributions.
Affiliated Company	Sandia, and pursuant to Internal Revenue Code Section 414, any corporation within the same controlled group of corporations as Sandia, any company under common control with Sandia, any employer that is a member of an affiliated service group with Sandia, and any employer required to be aggregated with Sandia.
Annuity Starting Date	The first day of the first period for which an amount is payable as an annuity or, in the case of a benefit *not* payable as an annuity, the first day on which all events have occurred which entitle the Participant to such benefit.
Applicable Closure Date	January 1, 2009 for Non-PSP Participants, July 1, 2009 for PSP Participants hired into an OPEIU represented position, and July 1, 2010 for PSP Participants hired into an MTC-represented or into an SPA-represented position. A Participant's Applicable Closure Date is based on the following analysis. Effective January 1, 2009, this Plan was closed to "New Hires" and to "Post-2008 Rehires" as defined in an amendment to the 2008 Restatement of this Plan and Disability Provisions were removed. Effective July 1, 2009, the Pension Security Plan ("PSP") was closed to "New Hires" and "Post-June 2009 Rehires" into an OPEIU-represented position and Disability provisions were removed for OPEIU-represented individuals. Effective July 1, 2010, the PSP was closed to "New Hires" and "Post-June 2010 Rehires" into an MTC-represented position or into an SPA-represented position and Disability provisions were removed for MTC-represented and SPA-represented individuals. This definition of Applicable Closure Date is *not* intended to enlarge the rights of any individual.
Company	Sandia Corporation
Hour of Service	Each hour for which you are paid or entitled to payment as an employee of Sandia or an Affiliated Company, including paid absences such as vacation, holiday, illness, disability, layoff, military duty, or jury duty.
Leased Employee	Any person (other than a common law employee) who pursuant to an agreement between an Affiliated Company and a leasing organization has performed services for the Affiliated Companies on a substantially full-time basis for a period of at least one year, and those services are performed under the primary direction or control of one or more Affiliated Companies. For nondiscrimination testing purposes, an individual will *not* be a Leased Employee if either subsection (a) or (b) below applies:

(a) *Safe Harbor Plan*. The individual is covered by a money purchase pension plan meeting the requirements of Code Section 414(n)(5)(B) and Leased Employees do *not* constitute more than 20% of all Non-Highly Compensated Employees of all Affiliated Companies.

(b) *Recordkeeping Exception*. The Committee has *not* been notified that the individual is a Leased Employee, the qualified plans (within the meaning of Code Section 401(a)) that are maintained by each Affiliated Company exclude Leased Employees from participation, none of these plans is top heavy (within the meaning of Code Section 416), and the number of leased persons providing substantial services to all Affiliated Companies during the RIP Year is less than 5% of the number of Employees (excluding leased persons and Highly Compensated Employees) covered by the qualified plans (within the meaning of Code Section 401(a)) of all Affiliated Companies at any time during the RIP Year.

Marriage	A relationship recognized as a valid, legal marriage in accordance with the laws of any state, the District of Columbia, a U.S. territory or a foreign jurisdiction where the marriage took place, regardless of whether the marriage is recognized by the state of domicile. Marriage does *not* include a domestic partnership or a civil union. The terms "Spouse," "husband and wife," "husband," and "wife" include individuals married to a person of the same sex, if the couple is validly married as described in the preceding sentence.
New Hire	An individual who, on or after the Applicable Closure Date, first becomes a common-law employee of Sandia. An individual who transfers to this Plan will *not* be treated as a "New Hire," provided that assets actually are transferred to this Plan on behalf of that Participant.
Normal Retirement Age	The later of the date you attain age 65 or the 5th anniversary of your Company employment date.
One Year Break in Service	Calendar year in which you have *not* completed at least 500 hours of service with Sandia or an Affiliated Company.
Plan Administrator	The Employee Benefits Committee is the Plan Administrator. Inquiries should be directed to: **Employee Benefits Committee** **P.O. Box 5800, MS 1022** **Albuquerque, NM 87185-1022** **(505) 284-1800** The Employee Benefits Committee has full discretionary authority to administer and interpret the RIP, including full discretionary authority to determine eligibility for participation and for benefits under the RIP, to

correct Plan errors (to the extent practicable), and to construe ambiguous terms. Determinations by the Employee Benefits Committee (or its authorized delegate) will be final and conclusive upon all persons.

Notwithstanding the forgoing paragraph, the Sandia Corporation Employee Benefits Claim Review Committee has the exclusive, full and final authority to hear and determine appeals of claims denied by the Employee Benefits Committee.

Plan Service

All of an Eligible Employee's service with Sandia, modified as follows (*please contact the Plan Administrator if you have questions regarding the determination of Plan Service*):

- 30-Day Leave, as described in the RIP document, is included.
- Special Leave of Absence, as described in the RIP document, is included.
- Layoff. During a temporary layoff due to a reduction in force, service is included to the extent provided in the RIP.
- Modified Rule of Parity. Pre-break service will be included to the extent provided in the RIP.
- Hold Out. Service after a break will be included to the extent provided in the RIP.
- Military Service. Qualified military service will be included, to the extent provided in the RIP.
- Most Recent Period of Service. If an Employee of Sandia converts from ineligible Employee status with Sandia to Eligible Employee status with Sandia, that Eligible Employee's Plan Service will include his or her "most recent period of service" (if any) as defined below. For purposes of this provision, the following definitions apply:
    - An Employee's "most recent period of service" is the Employee's most recent continuous service as an ineligible Employee that would have been counted as Plan Service if the Employee had been an Eligible Employee when the service was performed; provided, however, that no such service prior to a "31-day break" will be counted.
    - A "31-day break" is a 31-day or longer period of time that began before the Employee became an Eligible Employee and during which the Employee performed no services for Sandia.
    - This "Most Recent Period of Service" provision does *not* apply when an Employee converts from status as a collectively bargained Employee to status as a non-collectively bargained Employee.
    - This "Most Recent Period of Service" provision does *not* apply when an Employee converts from status as a Leased Employee

to status as an Eligible Employee.

- Approved Administrative Leave. Approved unpaid administrative leave without pay due to the suspension, cancellation, or revocation of a security clearance will be included to the extent provided in the RIP.
- Transferred Service. Unless specifically provided to the contrary in this Plan, a Participant will receive Plan Service earned for services performed for an entity other than Sandia only to the extent that assets are transferred to this Plan from a tax-qualified retirement plan of the other entity.
- Rehires. Notwithstanding anything to the contrary in this definition of Plan Service, solely for the purpose of determining a Participant's Plan Service, and *not* for purposes of determining a Participant's Credited Service, a Rehire will be credited with Plan Service to the extent he or she performs services for Sandia on and after the Applicable Closure Date, if the sole reason he or she is *not* an Eligible Employee while performing such services is that he or she is categorized as a Rehire.
- Affiliated Company Service. A Participant will earn Plan Service for services performed for an Affiliated Company, whether or *not* assets are transferred to this Plan on that Participant's behalf.

Plan Year A calendar year, beginning each January 1 and ending December 31.

PSP Participant An individual who became a Participant in this Plan as a result of the merger of the Pension Security Plan into this Plan. A RIP to PSP Transferee who had *not* completed 365 days of participation in the PSP at the date of merger will *not* be treated as a PSP Participant.

Regular Employee An individual employed directly by Sandia for an unspecified time period working a full-time or part-time schedule. Limited-term employees, post-doctoral appointees, recurrent employees and student interns are non-regular employees.

Rehire An individual who, on or after the Applicable Closure Date, again becomes a common law employee of Sandia. Notwithstanding the foregoing, a "Rehire" does *not* include the following:

- Temporary U.S. Government Employment. An individual who would otherwise be treated as a "Rehire" due to his or her return from temporary employment with the U.S. Government; provided the individual returns to employment with Sandia at the conclusion of such temporary U.S. Government employment and that, upon his or her return, the individual otherwise satisfies all other requirements to be an Eligible Employee and; provided further, that immediately prior to such temporary U.S. Government employment the individual (i) was an Eligible Employee, (ii) otherwise would have qualified for a Company-approved Special Leave of Absence or for an Intergovernmental Personnel Assignment, and (iii) was required to terminate employment with Sandia as a condition to taking temporary employment with the U.S. Government.

- LOA or IPA. An individual who would otherwise be treated as a "Rehire" due to his or her return from Leave of Absence ("LOA") or Intergovernmental Personnel Assignment ("IPA"); provided the individual returns to employment with Sandia at the conclusion of such LOA or IPA, and that, upon his or her return, the individual otherwise satisfies all other requirements to be an Eligible Employee and; provided further, that immediately prior to such LOA or IPA, the individual was an Eligible Employee.
- Conversion. A non-Regular Employee who, before the Applicable Closure Date was *not* eligible for participation in the RIP (e.g., a student), who is converted to status as an Eligible Employee on or after the Applicable Closure Date, and within the time frame set forth in the applicable Sandia policy for recognition of prior service.
- Qualified Military Service. An individual who would otherwise be treated as a "Rehire" due to his or her return from qualified military service (within the meaning of Code Section 414(u)); provided that he or she returns to employment with Sandia within the time frame set forth in applicable law and, upon his or her return, the individual otherwise satisfies all other requirements to be an Eligible Employee and; provided further, that immediately prior to his or her qualified military service, the individual was an Eligible Employee.
- Transfers. An individual who transfers participation to this Plan from another defined benefit pension plan of Sandia will *not* be treated as a "Rehire," provided that assets from the other plan are actually are transferred to this Plan, on behalf of that Participant.

RIP	Sandia Corporation Retirement Income Plan
Sandia	Sandia Corporation
Spouse	The individual recognized as a participant's lawful spouse in accordance with the laws of any state, the District of Columbia, a U.S. territory or a foreign jurisdiction where the marriage took place. The term spouse does *not* include a domestic partner or a party to a civil union.
Termination of Employment	A severance from employment with all Affiliated Companies. An Employee does *not* have a severance from employment if the Employee's new employer maintains the RIP with respect to the Employee. When used in Appendix A, this definition is modified to the extent required by Code Section 415(h).

Trust	The Sandia Corporation Pension Plan (RIP) Trust, which holds the RIP's Assets.
Vesting	An event that causes your Plan benefit to become nonforfeitable.
Year of Service	A year of employment with Sandia or an Affiliated Company, in which you are credited with 1,000 hours of service.

APPENDIX B:
PSP Benefit Formula

Your pension benefit is equal to the sum of your basic monthly pension benefit plus your supplemental monthly pension benefit, if any.

Basic Monthly Pension Benefit

Each job title or classification is assigned to a pension band.

A monthly benefit is specified for each pension band. Your basic monthly pension benefit is computed by multiplying the monthly benefit for your assigned pension band by your Credited Service (*see* Appendix C for a listing of pension band assignments and monthly benefit amounts).

Supplemental Monthly Pension Benefit

You may also be entitled to a supplemental monthly pension benefit based on certain supplemental earnings beyond your base pay that you received before you retire. To compute your supplemental monthly pension benefit, add up all the supplemental payments listed below that you received during the 36 months before yon retire. Divide that total by 3 to get an annual average. Multiply the annual average by .001. Then multiply the result by your Credited Service.

Supplemental payments include:

(a) Shift premiums,

(b) Weekend premiums,

(c) Increases above the job rate,

(d) Extra payments for temporary promotions of less than one year to higher level of supervisory positions,

(e) Special project allowances for assignments begun before December 1, 1983,

(f) Temporary assignment allowances,

(g) Flight allowances, and

(h) Supplementary allowances.

Example:

If you are a Tier 3 employee assigned to pension band 109 and retire with a service pension on December 1, 2011 at age 65 with 30 years of Credited Service, your basic monthly pension benefit is computed as follows:

Amount from Appendix C for pension band 109	$ 57.35
Multiplied by Credited Service	x 30
Basic monthly pension benefit	$1,720.50

If the total supplemental payments you receive for the 36 months before your retirement are $4,500, your supplemental pension benefit is computed as follows:

Total supplemental payments	$4,500.00
Divided by 3 years	÷ 3
Annual average supplemental payments	$1,500.00
Multiplied by .001	x .001
Multiplied by Credited Service	x 30
Supplemental monthly pension benefit	$ 45.00
Total monthly pension benefit ($1,720.50 + $45.00)	$1,765.50

Operation of the "Greater of Formula" Described in Question 6

If you are an Eligible Employee who is a PSP Participant (as defined in Appendix A), your benefits earned under the PSP will be frozen as of December 31, 2012. Starting on January 1, 2013, you will be eligible to earn pension benefits under the RIP's "Greater of Formula," as described in Question 6 of this SPD. ***Your benefit under the RIP after January 1, 2013, will never be less than your benefit under the PSP on December 31, 2012.*** To help in understanding the "Greater of Formula," please review the following four (4) examples.

EXAMPLE 1

This example illustrates a calculation of a PSP Participant's benefit where the individual has over 30 years of Credited Service and over 30 years of Plan Service. Note that the All Service Plan Benefit does *not* include Supplemental Payments in the benefit calculation. The Greater of Formula results in the All Service Plan Benefit being better than the Frozen PSP Benefit.

- A PSP Participant with the following characteristics retires with a Service Pension on January 1, 2014:

Date of birth	March 20, 1952
Retirement age	61 years, 9 months
Credited Service through 12/31/11	30.33 years
Credited Service through 12/31/12	31.33 years
Plan Service through 12/31/13	32.33 years
Job Classification/Pension Band at 12/31/12	Grade 7/109
36-month Supplemental Payments through 12/31/12	$4,500
High-3 final average pay through 12/31/11	$43,000
Cumulative career earnings after 12/31/11 (2 years)	$89,000

A) FROZEN PSP BENEFIT: Calculate the monthly pension using the PSP formula protected as of December 31, 2012

Pension Band Amount at 12/31/12	$ 58.50
Multiplied by Credited Service through 12/31/12	x 31.33
	$1,832.81
Plus	
36-month Supplemental Payments through 12/31/12	$4,500.00
Divided by 3 years	÷ 3
	$1,500.00
Multiplied by .001	x .001
Multiplied by Credited Service through 12/31/12	x 31.33
	$ 47.00
Monthly pension ($1,832.81 + $47.00)	$1,879.81

B) ALL SERVICE PLAN BENEFIT: Calculate the monthly pension using the RIP formula for all years

High-3 final average pay through 12/31/11	$ 43,000
Multiplied by Credited Service through 12/31/11	x 30.33
Multiplied by Final Average Pay Retirement Age Factor	x .0198
	$25,822.96
Plus	
Cumulative career earnings after 12/31/11	$ 89,000
Multiple by Career Average Retirement Age Factor	x .0223
	$ 1,984.70
Annual pension ($25,822.96 + $1,984.70)	$27,807.66
Monthly pension	$ 2,317.31

C) GREATER OF FORMULA: Compare monthly pension using the "all Service Plan Benefit" formula with the protected "Frozen PSP Benefit"

Monthly pension from A) above	$ 1,879.81
Monthly pension from B) above	$ 2,317.31
Monthly pension from C) above	$ 2,317.31

EXAMPLE 2

This example illustrates a calculation where the PSP Participant has fewer years of service and is younger than the person in Example 1. Note that the All Service Plan Benefit does *not* include Supplemental Payments in the calculation. The Greater of Benefit Formula results in the Frozen PSP Benefit being greater than the All Service Plan Benefit. This is due to the more favorable subsidy for the age-related reduction under the PSP Plan benefit.

- A PSP Participant with the following characteristics retires with a Service Pension on January 1, 2014:

Date of birth	December 31, 1963
Retirement age	50 years, 0 months
Credited Service through 12/31/11	24 years
Credited Service through 12/31/12	25 years
Plan Service through 12/31/13	26 years
Job Classification/Pension Band at 12/31/12	Grade 6/107
36-month Supplemental Payments through 12/31/12	$1,000
High-3 final average pay through 12/31/11	$38,000
Cumulative career earnings after 12/31/11 (2 years)	$78,000

A) FROZEN PSP BENEFIT: Calculate the monthly pension using the PSP formula protected as of December 31, 2012

Pension Band Amount at 12/31/12	$ 54.80
Multiplied by Credited Service through 12/31/12	x 25
	$1,370.00
Plus	
36-month Supplemental Payments through 12/31/12	$1,000.00
Divided by 3 years	÷ 3
	$ 333.33
Multiplied by .001	x .001
Multiplied by Credited Service through 12/31/12	x 25
	$ 8.33
Monthly pension ($1,370.00 + $8.33)	$1,378.33
Age-related reduction (60 mos. x 0.5% per mo.)	$ (413.50)
Monthly pension	$ 964.83

B) ALL SERVICE PLAN BENEFIT: Calculate the monthly pension using the RIP formula for all years

High-3 final average pay through 12/31/11	$ 38,000
Multiplied by Credited Service through 12/31/11	x 24
Multiplied by Final Average Pay Retirement Age Factor	x .0104
	$ 9,484.80
Plus	
Cumulative career earnings after 12/31/11	$ 78,000
Multiple by Career Average Retirement Age Factor	x .0117
	$ 912.60
Annual pension ($9,484.80 + $912.60)	$10,397.40
Monthly pension	$ 866.45

C) GREATER OF FORMULA: Compare monthly pension using the "all Service Plan Benefit" formula with the protected "Frozen PSP Benefit"

Monthly pension from A) above	$ 964.83
Monthly pension from B) above	$ 866.45
Monthly pension payable, greater of A) or B)	$ 964.83

EXAMPLE 3

This example illustrates a younger PSP Participant retiring with fewer years of Credited Service and Plan Service, but the same salary as shown in Example 1. This person does *not* have any Supplemental Payments to consider. There is no age-related reduction for the Frozen PSP Benefit, but there is an age-related reduction for the All Service Plan Benefit. Even so, in this example, the All Service Plan Benefit is better.

- A PSP Participant with the following characteristics retires with a Service Pension on January 1, 2015:

Date of birth	March 20, 1958
Retirement age	56 years, 9 months
Credited Service through 12/31/11	20.33 years
Credited Service through 12/31/12	21.33 years
Plan Service through 12/31/14	23.33 years
Job Classification/Pension Band at 12/31/12	Grade7/109
36-month Supplemental Payments through 12/31/12	$0
High-3 final average pay through 12/31/11	$43,000
Cumulative career earnings after 12/31/11 (3 years)	$134,000

A) FROZEN PSP BENEFIT: Calculate the monthly pension using the PSP formula protected as of December 31, 2012

Pension Band Amount at 12/31/12	$ 58.50
Multiplied by Credited Service through 12/31/12	x 21.33
	$1,247.81
Plus	
36-month Supplemental Payments through 12/31/12	$ 0
Divided by 3 years	÷ 3
	$ 0
Multiplied by .001	x .001
Multiplied by Credited Service through 12/31/12	x 21.33
	$ 0
Monthly pension ($1,247.81 + $0.00)	$1,247.81

B) ALL SERVICE PLAN BENEFIT: Calculate the monthly pension using the RIP formula for all years

High-3 final average pay through 12/31/11	$ 43,000
Multiplied by Credited Service through 12/31/11	x 20.33
Multiplied by Final Average Pay Retirement Age Factor	x .0158
	$13,812.20
Plus	
Cumulative career earnings after 12/31/11	$ 134,000
Multiple by Career Average Retirement Age Factor	x .0178
	$ 2,385.20
Annual pension ($13,812.20 + $2,385.20)	$16,197.40
Monthly pension	$ 1,349.78

C) GREATER OF FORMULA: Compare monthly pension using the "all Service Plan Benefit" formula with the protected "Frozen PSP Benefit"

Monthly pension from A) above	$ 1,247.81
Monthly pension from B) above	$ 1,349.78
Monthly pension payable, greater of A) or B)	$ 1,349.78

EXAMPLE 4

A PSP Participant who is 53 on January 1, 2014 works an additional 2 years and retires with a Service Pension on January 1, 2016. Note that the All Service Plan Benefit does *not* include Supplemental Payments in the calculation. There is no age-related reduction for the Frozen PSP Benefit because he/she has attained the age of 55 at retirement, but there is still an age-related reduction for the All Service Plan Benefit. Given the more favorable subsidy for age-related reductions under the Frozen PSP benefit, the Frozen PSP benefit is the better benefit in this example. Note, however, that while the Frozen PSP Benefit will *not* grow any further for age or service reasons after the PSP Participant attains age 55, the All Service Plan Benefit will continue to grow while the person continues working at Sandia due to the growth in the retirement age factors (until he/she attains age 62) as well as the cumulative Career Earnings growth.

- A PSP Participant with the following characteristics retires with a Service Pension on January 1, 2016:

Date of birth	December 31, 1960
Retirement age	55 years, 0 months
Credited Service through 12/31/11	21 years
Credited Service through 12/31/12	22 years
Plan Service through 12/31/15	25 years
Job Classification/Pension Band at 12/31/12	CAS/116
36-month Supplemental Payments through 12/31/12	$3,000
High-3 final average pay through 12/31/11	$50,000
Cumulative career earnings after 12/31/11 (4 years)	$210,000

A) FROZEN PSP BENEFIT: Calculate the monthly pension using the PSP formula protected as of December 31, 2012

Pension Band Amount at 12/31/12	$ 73.12
Multiplied by Credited Service through 12/31/12	x 22
	$1,608.64
Plus	
36-month Supplemental Payments through 12/31/12	$3,000.00
Divided by 3 years	÷ 3
	$1,000.00
Multiplied by .001	x .001
Multiplied by Credited Service through 12/31/12	x 22
	$ 22
Monthly pension ($1,608.64 + $22.00)	$1,630.64

B) ALL SERVICE Plan BENEFIT: Calculate the monthly pension using the RIP formula for all years

High-3 final average pay through 12/31/11	$ 50,000
Multiplied by Credited Service through 12/31/11	x 21
Multiplied by Final Average Pay Retirement Age Factor	x .0144
	$15,120.00
Plus	
Cumulative career earnings after 12/31/11	$ 210,000
Multiple by Career Average Retirement Age Factor	x .0162
	$ 3,402.00
Annual pension ($15,120.00 + $3,402.00)	$18,522.00
Monthly pension	$ 1,543.50

C) GREATER OF FORMULA: Compare monthly pension using the "all Service Plan Benefit" formula with the protected "Frozen PSP Benefit"

Monthly pension from A) above	$ 1,630.64
Monthly pension from B) above	$ 1,543.50
Monthly pension payable, greater of A) or B)	$ 1,630.64

APPENDIX C:
Pension Band Values as of December 31, 2012

PENSION BAND ASSIGNMENTS AND VALUES BY JOB CLASSIFICATION
FOR EMPLOYEES REPRESENTED BY THE OPEIU

Band	Job Classification	Value for Participants Retiring On or After 10/1/11
103	Tier I	$46.46
105	Tier 2	$50.03
109	Tier 3/OAA	$57.35
112	Tier4	$62.72
116	Tier 5	$69.96

PENSION BAND ASSIGNMENTS AND VALUES BY JOB CLASSIFICATION
FOR EMPLOYEES REPRESENTED BY THE MTC

Band	Job Classification	Value for Participants Retiring On or After 10/1/12
101	Grade 1 Grade 2	$43.67
103	Grade 3	$47.39
105	Grade 4	$51.03
106	Grade 5	$52.92
107	Grade 6	$54.80
109	Grade 7	$58.50
110	Grade 8	$60.30
115	AMTTP	$69.52
119	Trades 2	$76.90
122	Trades 1	$82.43

PENSION BAND ASSIGNMENTS AND VALUES BY JOB CLASSIFICATION
FOR EMPLOYEES REPRESENTED BY THE SPA

Band	Job Classification	Value for Participants Retiring On or After 12/1/12
107	SO	$56.15
113	SPO	$67.48
116	CAS	$73.12

APPENDIX D:
Claims and Appeal Procedure for
the Sandia Corporation Retirement Income Plan

A Participant Beneficiary who has questions or concerns about his or her Plan benefits is encouraged to communicate with the Employee Benefits Committee (EBC) regarding those questions or concerns. If the Participant or Beneficiary ("Claimant") is *not* satisfied with this communication, the Claimant may make a formal claim for benefits in accordance with the procedures outlined below. **A Claimant may *not* make a formal claim more than three hundred sixty-five (365) days after the date the Claimant has knowledge of all material facts that are the subject of the claim.**

A formal claim must be filed, in writing, with the EBC, P.O. Box 5800, MS 1022, Albuquerque, NM 87185-1022. Within 90 days following receipt of the claim, the EBC will give the Claimant either a written notice of its decision or, if special circumstances require an extension of time for review, a notice of a 90-day extension of the review period.

If a claim is denied in whole or in part, the EBC will give the Claimant written notification that will include:

(a) The specific reason for the denial;

(b) Specific references to pertinent Plan provisions on which the denial is based;

(c) A description of any additional material or information that needs to be submitted with an explanation of why the material or information is necessary;

(d) An offer to provide the Claimant, on request, free of charge, reasonable access to and copies of all documents, records and other information relevant to the claim (including a statement of policy or guidance concerning a Disability claim); and

(e) A description of the RIP's review procedures and the time limits applicable to the Claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on review.

If the Claimant wants to appeal a denied claim, the Claimant must submit an appeal in writing to the EBC at P.O. Box 5800, MS 1022, Albuquerque, NM 87185-1022. The deadline for submitting any such appeal will be 60 days after the Claimant receives written notification of the denial of the claim, as described above. Within 60 days following receipt of the appeal, the EBC will give the Claimant either a written notice of its decision or, if special circumstances require an extension of time for review, a notice of a 60-day extension of the review period. The review of the EBC will take into account all comments, documents, records, and other information the Claimant submits, without regard to whether that information was submitted or considered in the initial benefit determination. If the appeal is denied, the notification will:

(a) Explain the specific reasons and specific Plan provisions on which the decision is based;

(b) Include a statement describing any voluntary appeal procedures offered by the RIP and the Claimant's right to obtain information about these procedures;

(c) Include a statement regarding the Claimant's right to bring a civil action under ERISA 502(a), and

(d) Offer to provide the Claimant, on request, free of charge, reasonable access to and copies of all documents, records and other information relevant to his or her claim for benefits.

A claim or appeal may be filed by an authorized representative on behalf of a Claimant. The Sandia Corporation Employee Benefits Claim Review Committee (EBCRC) has the exclusive, full and final authority to hear and determine appeals of claims denied by the EBC. The decision of the EBCRC will be the final and conclusive administrative review proceeding under the RIP.

A Claimant is required to pursue all administrative and appeals procedures described above as a precondition to challenging the denial of a claim in a lawsuit. Such exhaustion of administrative procedures applies equally to claims for (i) recovery of Plan benefits; (ii) enforcement of rights under the terms of the RIP; and (iii) clarification of rights to future benefits under the terms of the RIP.

The Claimant may *not* submit a dispute to a court with respect to a denied claim under this Plan more than three hundred sixty-five (365) days after the date the Plan Administrator renders its final decision upon appeal.

When determining whether to approve or deny a claim, the Plan Administrator is operating pursuant to its full discretionary authority to administer and interpret the RIP and to determine eligibility for participation and for benefits under the terms of the RIP.

APPENDIX E:
Special Provisions for Employees who Made Mandatory Contributions to the RIP

Withdrawal of Accumulation

You may withdraw your Accumulation *only* if you terminate your employment with Sandia other than by retirement. If you are eligible for a deferred vested pension and you withdraw your Accumulation, you may still be entitled to a pension at age 65. However, your pension will be reduced by the amount of pension your Accumulation would have provided according to the rulings of the Internal Revenue Service. As a deferred vested pensioner you are *not* eligible for certain health care and life insurance benefits provided at the Company's discretion to retired employees.

Upon your death (and the death of your surviving Spouse, if applicable) any excess of your Accumulation over the amounts paid as pension or survivor annuity benefits will be paid to your selected beneficiary or to your estate.

Minimum Death Benefit

Upon your death or the later death of your surviving Spouse, (if applicable), any excess of your Accumulation over the amounts paid to you and your surviving Spouse will be distributed to your selected beneficiary or to your estate. You should update or name a beneficiary for this potential benefit when you retire.

If you had an Accumulation in the RIP at retirement, and you were *not* married when you retired, or you elected a survivor annuity and your Spouse died before you, your beneficiary (or estate) will receive the greater of:

- Any excess of your Accumulations over the sum of all pension payments made to you; or
- An amount equal to your benefit earned under the contributory Plan formula through January 1, 1976.

APPENDIX F:
Special Provisions for Former Specialty Components Employees Whose Pension Benefits Transferred to Sandia

Pre-1989 Mandatory Contributions	If you participated in the Lockheed Martin Specialty Components Pension Plan before 1989, you were required to make contributions to that plan. Interest is credited on those contributions at rates established by that Plan. You may withdraw your pre-1989 contributions plus interest *only* if you terminate your employment with Sandia other than by retirement. Any such withdrawal will result in a reduction or forfeiture of your accrued benefit.
Personal Pension Account (PPA)	If you participated in the Lockheed Martin Specialty Components Pension Plan after 1988, you may have made contributions to a Personal Pension Account (PPA). Interest is credited on those contributions at rates established by the RIP.
Voluntary Pension Account (VPA)	If you participated in the Lockheed Martin Specialty Components Pension Plan after 1988, you may have made contributions to a Voluntary Pension Account (VPA). Interest is credited on those contributions at rates established by the RIP.
Payment Options	At retirement or termination before retirement, you may elect to: • Convert your PPA and VPA account balances to monthly payments starting immediately after your pension commences; • Withdraw all or a portion (minimum $500) of your PPA and VPA account balances no more than once each calendar year, with the consent of your Spouse if you are married; or • Defer receipt of your PPA and VPA accounts, but *not* beyond April 1st of the year following the calendar year in which you reach age 70½. Whatever decision you make applies to both your PPA and VPA balances.

APPENDIX G:
Early Retirement Factors – Deferred Vested Pensions without Joint and 100% Surviving Spouse Annuity

Factors show the percentage of pension payable based on completed years and months of age at commencement of Deferred Vested Pension.

Completed Years of Age	Completed Months of Age											
	0	1	2	3	4	5	6	7	8	9	10	11
50	.32	.32	.33	.33	.33	.33	.34	.34	.34	.34	.35	.35
51	.35	.35	.35	.36	.36	.36	.36	.36	.36	.37	.37	.37
52	.37	.37	.38	.38	.38	.38	.39	.39	.39	.39	.40	.40
53	.40	.40	.41	.41	.41	.41	.42	.42	.42	.42	.43	.43
54	.43	.43	.44	.44	.44	.44	.45	.45	.45	.45	.46	.46
55	.46	.46	.47	.47	.47	.47	.48	.48	.48	.48	.49	.49
56	.49	.49	.50	.50	.50	.51	.51	.51	.52	.52	.52	.53
57	.53	.53	.54	.54	.54	.55	.55	.55	.56	.56	.56	.57
58	.57	.57	.58	.58	.58	.59	.59	.59	.60	.60	.60	.61
59	.61	.61	.62	.62	.63	.63	.64	.64	.64	.65	.65	.66
60	.66	.67	.67	.68	.68	.69	.69	.70	.70	.71	.71	.72
61	.72	.73	.73	.74	.74	.75	.75	.76	.76	.77	.77	.78
62	.78	.79	.79	.80	.80	.81	.81	.82	.82	.83	.83	.84
63	.84	.85	.85	.86	.87	.87	.88	.89	.89	.90	.91	.91
64	.92	.93	.93	.94	.95	.95	.96	.97	.97	.98	.99	.99
65	1.00											

Example:

Deferred Vested Pension at 65 (after any reduction for the Preretirement Survivor Annuity)	$500.00 per month
Age at Pension Commencement Date	55 years, 3 months
Early Retirement Factor	47% (.47)
Reduced Pension Payable at Age 55 years, 3 months ($500 x .47)	$235.00 per month

APPENDIX H:
Early Retirement Factors – Deferred Vested Pensions with Joint and 100% Surviving Spouse Annuity

Factors show the percentage of pension payable based on completed years and months of age at commencement of Deferred Vested Pension.

Completed Years of Age	Completed Months of Age											
	0	1	2	3	4	5	6	7	8	9	10	11
50	.28	.28	.28	.28	.29	.29	.29	.29	.29	.29	.30	.30
51	.30	.30	.30	.30	.31	.31	.31	.31	.31	.31	.32	.32
52	.32	.32	.32	.33	.33	.33	.33	.33	.33	.34	.34	.34
53	.34	.34	.35	.35	.35	.35	.35	.36	.36	.36	.36	.36
54	.37	.37	.37	.37	.38	.38	.38	.38	.38	.39	.39	.39
55	.39	.40	.40	.40	.40	.41	.41	.41	.41	.42	.42	.42
56	.42	.43	.43	.43	.43	.44	.44	.44	.44	.45	.45	.45
57	.46	.46	.46	.46	.47	.47	.47	.48	.48	.48	.48	.49
58	.49	.49	.50	.50	.50	.51	.51	.51	.52	.52	.52	.53
59	.53	.53	.54	.54	.54	.55	.55	.55	.56	.56	.56	.57
60	.57	.57	.58	.58	.59	.59	.59	.60	.60	.61	.61	.61
61	.62	.62	.63	.63	.63	.64	.64	.65	.65	.66	.66	.66
62	.67	.67	.68	.68	.69	.69	.70	.70	.71	.71	.72	.72
63	.73	.73	.74	.74	.75	.75	.76	.76	.77	.77	.78	.78
64	.79	.80	.80	.81	.81	.82	.82	.83	.84	.84	.85	.85
65	.86											

Example:

Deferred Vested Pension at 65 (after any reduction for the Preretirement Survivor Annuity)	$500.00 per month
Age at Pension Commencement Date	55 years, 3 months
Early Retirement Factor	40% (.40)
Reduced Pension Payable at Age 55 years, 3 months ($500 x .40)	$200.00 per month

APPENDIX I:
Early Retirement Factors – Deferred Vested Pensions with Joint and 50% Surviving Spouse Annuity

Completed Years of Age	Completed Months of Age											
	0	1	2	3	4	5	6	7	8	9	10	11
50	.30	.30	.30	.31	.31	.31	.31	.31	.31	.32	.32	.32
51	.32	.32	.33	.33	.33	.33	.34	.34	.34	.34	.35	.35
52	.35	.35	.35	.36	.36	.36	.36	.36	.36	.37	.37	.37
53	.37	.37	.38	.38	.38	.38	.39	.39	.39	.39	.40	.40
54	.40	.40	.41	.41	.41	.41	.42	.42	.42	.42	.43	.43
55	.43	.43	.44	.44	.44	.44	.45	.45	.45	.45	.46	.46
56	.46	.46	.47	.47	.47	.47	.48	.48	.48	.48	.49	.49
57	.49	.49	.50	.50	.50	.51	.51	.51	.52	.52	.52	.53
58	.53	.53	.54	.54	.54	.55	.55	.55	.56	.56	.56	.57
59	.57	.57	.58	.58	.59	.59	.60	.60	.60	.61	.61	.62
60	.62	.62	.63	.63	.64	.64	.65	.65	.65	.66	.66	.67
61	.67	.67	.68	.68	.69	.69	.70	.70	.70	.71	.71	.72
62	.72	.73	.73	.74	.74	.75	.76	.76	.77	.77	.78	.78
63	.79	.80	.80	.81	.81	.82	.82	.83	.83	.84	.84	.85
64	.85	.86	.86	.87	.88	.88	.89	.90	.90	.91	.92	.92
65	.93											

Example:

Deferred Vested Pension at 65 (after any reduction for the Preretirement Survivor Annuity)	$500.00 per month
Age at Pension Commencement Date	55 years, 3 months
Early Retirement Factor	44% (.44)
Reduced Pension Payable at Age 55 years, 3 months ($500 x .44)	$220.00 per month

APPENDIX J:
Reduction Factors – Service and Disability Pensions with Joint and 50% Contingent Survivor Annuity

Factors show the percentage of pension payable based on the difference between the ages of the participant and the contingent annuitant

Participant's Age Minus Beneficiary's Age	Reduction Factor	Participant's Age Minus Beneficiary's Age	Reduction Factor
0	.950	23	.910
1	.950	24	.908
2	.950	25	.906
3	.950	26	.904
4	.948	27	.902
5	.946	28	.900
6	.944	29	.898
7	.942	30	.896
8	.940	31	.894
9	.938	32	.892
10	.936	33	.890
11	.934	34	.888
12	.932	35	.886
13	.930	36	.884
14	.928	37	.882
15	.926	38	.880
16	.924	39	.878
17	.922	40	.876
18	.920	41	.874
19	.918	42	.872
20	.916	43	.870
21	.914	44	.868
22	.912	45	.866

Values are extrapolated for age differences in excess of 45 years

APPENDIX K:
Reduction Factors – Deferred Vested Pensions with Joint and 50% Contingent Survivor Annuity

Factors show the percentage of pension payable based on the difference between the ages of the participant and the contingent annuitant

Participant's Age Minus Beneficiary's Age	Reduction Factor	Participant's Age Minus Beneficiary's Age	Reduction Factor
0	.930	23	.891
1	.930	24	.889
2	.930	25	.887
3	.930	26	.885
4	.928	27	.883
5	.926	28	.881
6	.924	29	.879
7	.922	30	.877
8	.920	31	.875
9	.918	32	.873
10	.916	33	.871
11	.914	34	.869
12	.912	35	.867
13	.910	36	.865
14	.908	37	.863
15	.907	38	.861
16	.905	39	.860
17	.903	40	.858
18	.901	41	.856
19	.899	42	.854
20	.897	43	.852
21	.895	44	.850
22	.893	45	.848

Values are extrapolated for age differences in excess of 45 years.