

**Northrop Grumman Naval Systems Division —  
Cleveland Facility Hourly-Wage Employees  
Pension Plan Summary Plan Description**

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January 2008

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## Introduction

On March 1, 1988, the Northrop Grumman Naval Systems Division — Cleveland Facility Hourly-Wage Employees Pension Plan (the “Plan”) was established by Westinghouse Electric Corporation for collectively bargained employees in the Oceanic Division — Cleveland Facility of Westinghouse. Northrop Grumman acquired Westinghouse Electric Corporation Naval Systems Division — Cleveland Facility on March 1, 1996, at which time plan sponsorship for the Plan was transferred to Northrop Grumman Corporation.

This Summary Plan Description (SPD) describes how the Plan works. If you have questions about eligibility or anything else not answered in this guide, call the Northrop Grumman Benefits Center (NGBC) at 1-800-894-4194. If you are calling from outside the United States, please call 718-354-1338. Benefits service representatives are available to assist you Monday through Friday from 9:00 a.m. to 6:00 p.m. Eastern time, excluding holidays. If you are hearing impaired, you will need to use a relay service through your TTY/TDD service provider.

*Northrop Grumman Corporation reserves the right to suspend and/or reduce benefit accruals under the Northrop Grumman Naval Systems Division — Cleveland Facility Hourly-Wage Employees Pension Plan. Northrop Grumman also may amend or terminate the Plan at any time. You will be notified of any significant amendments to the Plan.*

*This guide is a summary of the main features of the Plan. It presents a summary only and does not contain all the details of all aspects of the Plan. It is not an official plan document, and neither the plan documents nor this guide constitute an implied or expressed contract of employment.*

*The actual terms of the Plan are contained in the plan document, which is available from the NGBC.*

*The official plan text and trust agreement govern the operation of the Plan and payment of all benefits. In the event of any ambiguity in or omission from this guide, or any conflict between this guide and the official plan text and trust agreement, the official plan text and trust agreement govern.*

*Northrop Grumman (also referred to as the “Company” in this guide) refers to Northrop Grumman Corporation and its 80%-owned subsidiaries and affiliates.*

## Overview of the Plan

### Eligibility

You are eligible to participate in the Plan if you are an employee of Northrop Grumman Naval Systems Division — Cleveland Facility and are classified as an hourly-wage employee and covered by the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America, United Autoworkers of America Local No. 1631.

The following types of employees are not eligible to participate in the Plan:

- Individuals not covered by the collective bargaining agreement described above
- Individuals not treated as common law employees on payroll records
- Leased employees.

### Participation

Your participation in the Plan is effective on the later of:

- Your date of hire
- The date you become eligible to participate in the Plan.

The Plan is closed to new participants.

## Important Pension Concepts

The following basic pension plan concepts are necessary to understand the Plan's benefit.

### Hours of Service

You earn an hour of service for each hour for which you are paid (or are entitled to be paid) by the Company, while actively at work and during certain periods away from work, including vacation, holiday, illness, jury duty, disability, or a leave of absence (note, for periods when you are away from work, no more than 501 hours will be counted except for military leave). You will also receive credit for each hour for which you receive back pay.

### Vesting and Vesting Service

Vesting means you have earned a non-forfeitable right to your Plan benefit. Vesting service is used to determine if you have a right to a vested or deferred vested benefit (see "Deferred Vested Benefits"). Generally, your vesting service includes employment with any member of the Company, subject to legal limitations. If you need help determining if your business unit is part of the Company, call the NGBC.

Beginning January 1, 1976\*, vesting service is counted in full years (consecutive 12-month periods) and months of service. Vesting service is counted from your date of hire until the earlier of the date you terminate employment and stop accruing service (e.g., you quit, retire, are discharged or die) or the first anniversary of the first day of an absence from employment for reasons other than quitting, discharge, or death.

You may earn vesting service if you are not actively at work if you are disabled or you are on:

- A qualifying military leave of absence (if you return to active employment in a timely manner following an honorable discharge)
- A maternity or paternity leave (you will earn vesting service for the first 12 months of your period of absence).

**If you terminate on or after January 1, 1976**, you are vested in your Company-provided benefit after completing five years of vesting service.

You also become fully vested in your benefit when you reach age 65 while actively employed by Northrop Grumman, regardless of years of service.

*\* Vesting service before January 1, 1976, is determined under prior plan rules.*

### Benefit Service

Benefit service is used to determine the amount of your benefit. Your benefit service is the sum of the following:

- Years of benefit service as of December 31, 1975 (determined under the prior plan rules)
- Years of benefit service from January 1, 1976 through December 31, 1987 (determined under the prior plan rules)

- Years of benefit service earned after December 31, 1987, based on the hours schedule below:

Hours Worked in a Year	Years of Benefit Service
0 to 84	0
85 to 254	0.1
255 to 424	0.2
425 to 594	0.3
595 to 764	0.4
765 to 934	0.5
935 to 1,104	0.6
1,105 to 1,274	0.7
1,275 to 1,444	0.8
1,445 to 1,614	0.9
1,615 and over	1

You may earn benefit service if you are on a qualifying military leave of absence (if you return to active employment in a timely manner following an honorable discharge).

No benefit service is granted beyond the date of death, voluntary termination, discharge, divestiture of a business unit, or transfer to a nonparticipating entity or a joint venture that is not part of the Company. If you need help determining if your business unit is part of the Company, call the NGBC.

### **Breaks in Service and Restoration of Service**

A break in service occurs when you are no longer working for the Company for a period of at least 12 consecutive months (except during certain periods away from work, as described under “Vesting and Vesting Service”).

If you terminate employment and are rehired within 12 months, your vesting service and benefit service prior to your termination of employment will be reinstated and you will receive vesting service, but not benefit service, under the Plan for the period between your termination of employment and your rehire.

#### **Service Restored and Retained**

***If you are vested*** and experience a break in service (regardless of the number of break-in-service years), your years of vesting and benefit service prior to your break in service will be restored after you complete one year of vesting service following your rehire.

***If you are not vested*** and your break in service is less than five years (or, if greater, your years of pre-break vesting service), your years of vesting and benefit service prior to your break in service will be restored after you complete one year of vesting service following your rehire.

***If you receive a lump sum payment (cashout)*** of the full value of your retirement benefit, you retain your years of vesting service only. Your previous years of benefit service are not restored.

### **Service Forfeited**

If you experience five consecutive break-in-service years before you are vested:

- You forfeit your benefit under the Plan, and
- You will be treated as a new hire upon subsequent rehire. You will accrue a new benefit under the Plan, and your prior vesting and benefit service will not be restored.

### **Non-Duplication of Benefits**

You may participate in (meaning contribute to or accrue a benefit under) only one Northrop Grumman pension plan at any given time. If you are eligible to participate in two plans (for example, as a result of an acquisition), you will be covered by the plan specified by your payroll.

### **Suspension of Benefits Upon Re-employment**

In the event you terminate your employment and commence your benefit under the Plan, then you are reemployed by the Company, payment of your annuity benefit will be suspended if:

- You are rehired as an employee,
- You earn 40 or more vesting hours in a calendar month, and
- Less than 12 consecutive months has elapsed since you terminated, during which time you performed no services in any capacity (including, for example, service as an independent contractor, leased employee or job shopper; any service with the Company will interrupt the measurement of the 12-consecutive-month period).

You will receive a notice of suspension before any benefit payments are suspended. Note that even if 12 or more months elapse between your termination and your rehire as an employee, your benefit payments may still be suspended. When you receive your suspension notice, you will also receive a certification form. If you have been away from the Company in any capacity for 12 or more months, you will need to sign and return the form in order for your payments to resume. When the NGBC receives this certification, your benefit payments will resume and you will receive a make-up payment of any suspended benefit payments.

If your annuity benefit is suspended, then the benefit determined upon your subsequent retirement will be reduced to reflect the actuarial equivalent value of any benefits previously received from this Plan.

**Example:** You retire from the Company and commence your annuity benefit. Seven months later, the Company retains you as a “consultant,” and treats you as an independent contractor. You work in this capacity for one month and then do not perform any service for the Company for the next eight months. You are then rehired as an employee — 16 months after your original termination date and eight months after you performed services as a consultant. Because you were not separated from service for at least 12 consecutive months (your month of service as a consultant interrupted your period of separation), your pension benefit will be suspended upon your return to work.

Alternatively, if you were separated from service for at least 12 months following your month of service as a consultant and were rehired as an employee covered by the Plan, your

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benefits will *not* be suspended (subject to providing written certification that you did not perform services in any capacity for the Company for 12 consecutive months).

## Applying for Your Benefit

Once you decide on your retirement date, call the NGBC at 1-800-894-4194 or log in to *My Benefits Access* available through *Benefits OnLine* at <http://benefits.northropgrumman.com> to begin the retirement process. In general, you must provide notice of your intent to retire and request your retirement kit two months prior to the date you want your retirement to begin (which can be the first day of any month). For example, if you want to begin your retirement on June 1, 2008, you must request your retirement kit by April 1, 2008.

This applies to all types of retirement commencements, including early, normal, and postponed retirement. The notice requirement is waived in cases where a Company-organized layoff specified the applicable retirement date.

As a participant in the Plan, it is *your* responsibility (or your surviving spouse's responsibility, if applicable) to request your retirement kit and start the retirement process. Your retirement date is the date you want to begin your pension benefit payments. Failure to call the NGBC or apply for retirement online through *My Benefits Access* as described in this section may result in a delay in payment or even a forfeiture of benefits.

Please be prepared to provide the following information when you apply for retirement:

- Your name and home address
- Your telephone numbers (work and home)
- Your Social Security number
- Your current marital status
- Your spouse's name, Social Security number, and date of birth (if you are married)
- Your anticipated last day of work with the Company (if applicable)
- Your benefit commencement date (the date that you would like payments to begin)
- Your beneficiary information
  - If you would like to designate someone other than your spouse as a beneficiary, please provide the beneficiary's name, date of birth, and Social Security number; you must also provide your spouse's information even if you choose to have someone other than your spouse as a beneficiary\*
  - If you are not married, you can name a beneficiary for some payment options.

\* *Written and notarized spousal consent is required if you elect a beneficiary other than your spouse.*

To complete the retirement process, you will need to confirm your date of birth, your marital status, and your beneficiary's date of birth (if applicable).

If you have a qualified domestic relations order (QDRO) that awards any part of your pension benefit to a former spouse, such order should be submitted to the NGBC well in advance of your retirement date in order to avoid a delay in processing your retirement. You may obtain a copy of the Plan's procedures regarding QDROs free of charge by contacting the Domestic Relations Matters Group at 1-888-887-5078.

## Normal Retirement

### Eligibility for Normal Retirement

You are eligible for a normal retirement benefit if your Northrop Grumman employment ends on or after your normal retirement age, or if you terminate prior to normal retirement age with a vested benefit and defer payment until you reach normal retirement age. Your normal retirement date is the first day of the month coincident with or following your normal retirement age.

### Normal Retirement Age for Your Benefit

Your normal retirement age for your benefit is age 65. If you terminate employment after reaching normal retirement age, you are considered to have a late retirement, and your benefit may be actuarially increased.

### Benefit Amount for Normal Retirement

When you retire, your benefit will be calculated using the Dollar per Service formula (below) and the Medicare Part B Supplement (if eligible).

#### Dollar Per Service Formula

To determine your benefit amount, the Dollar per Service Formula uses a dollar amount based on when you terminate your employment (as shown in the table below) and your benefit service at your time of termination.

- Dollar amount based on termination date (as shown in the table below)  
*multiplied by*
- Your years of benefit service

Beginning...	Through...	Benefit Dollar Rate
September 7, 1998 and later		\$19.75
September 8, 1997	September 6, 1998	\$19.50
September 9, 1996	September 7, 1997	\$19.25
September 13, 1993	September 8, 1996	\$19.00
September 14, 1992	September 12, 1993	\$18.00
September 16, 1991	September 13, 1992	\$17.50
September 17, 1990	September 15, 1991	\$17.00
September 20, 1989	September 16, 1990	\$16.50
September 19, 1988	September 19, 1989	\$16.00
September 14, 1987	September 18, 1988	\$15.00

\* Certain contracts provided for an increase in the benefit dollar rate for specified employees. Please call the NGBC for details.

### Medicare Part B Supplement

You may be eligible for an additional benefit — the Medicare Part B Supplement — if you meet all of the following criteria:

- You are eligible for an early retirement or normal retirement benefit on or after October 1, 1987
- You are age 65 or receiving disability benefits under the Plan
- You're receiving a benefit from the Plan
- You are eligible for Medicare Part B coverage.

If you meet all of the eligibility criteria described above, you will receive an additional monthly benefit of \$25\* while you are eligible to receive a benefit under the Plan. The Medicare Part B Supplement is payable on the first day of the month in which you turn age 65 or become disabled.

\* Prior to September 9, 1996, the monthly Medicare Part B Supplement benefit amount was \$17.90.

### Normal Retirement Benefit Example

See the example that follows. Although this illustration uses full years of age and service, your retirement benefit will be based on your actual years and months of age and service at the time of your retirement. This example is based on the "straight life annuity" form of payment.

#### Example

Let's assume you turn age 65 on November 10, 2007, you have 25 years of Benefit Service, and you choose to retire and commence your benefit on December 1, 2007. Based on the formula under the Plan and the table above, your normal retirement benefit under the Dollar per Service Formula will be determined as follows:

- \$19.75 (applicable dollar amount based on your termination date)

*multiplied by*

- 25 years of benefit service

*equals*

- Your monthly benefit = \$493.75

In addition, in this example, you meet all of the criteria to be eligible for the Medicare Part B Supplement Benefit. Therefore, you will receive an additional \$25 each month.

- Your monthly benefit = \$493.75

*plus*

- \$25

*equals*

- Your total monthly retirement benefit with Medicare Part B Supplement = \$518.75

## Early Retirement

### Eligibility for Early Retirement

You are eligible for an early retirement benefit if you stop accruing service under the Plan on or after your 60<sup>th</sup> birthday and you have at least 10 years of vesting service.

Your early retirement date can be the first day of any month coincident with or following the date you become eligible, subject to the rules described in “Applying for Your Benefit.”

### Benefit Amount for Early Retirement

If you elect to begin receiving your benefit before age 65 and have terminated after meeting the early retirement eligibility requirements described above, your early retirement benefit is determined as a normal retirement benefit, and then is reduced to a percentage of that amount as shown in the table below.

Your age when payments begin	Percentage of your normal retirement benefit that you receive
65	100%
64	95.2%
63	90.4%
62	85.6%
61	80.8%
60	76%

*The table is shown in percentages for whole ages. Partial years will be prorated in years and months.*

**Note:** Your benefit will increase at age 65 if you are eligible for the Medicare Part B Supplement.

### Special Layoff Rules

While you were a participant in the Plan, if your employment with the Company ended as a result of a reduction in force, and you were eligible for retirement at the time of your layoff, you may be eligible for an unreduced early retirement benefit. Call the NGBC for more information.

### Early Retirement Benefit Example

See the example that follows. Although this illustration uses full years of age and service, your retirement benefit will be based on your actual years and months of age and service at the time of your retirement. This example is based on the “straight life annuity” form of payment.

#### Example

Let’s assume you terminate employment with the Company in 2007 at the age of 61 with 15 years of benefit and vesting service. You choose to begin receiving your benefit the first day of the month following your termination date. Your benefit will be calculated as a normal

retirement benefit, and then reduced by the applicable early retirement percentage shown in the table above. Your early retirement benefit will be determined as follows:

**1. First, determine your normal retirement benefit**

- \$19.75 (applicable dollar amount based on your termination date)

*multiplied by*

- 15 years of benefit service

*equals*

- Your monthly benefit = \$296.25

**2. Then, calculate your early retirement benefit**

Since you are commencing your benefit before your normal retirement age, your monthly benefit will be reduced to 80.8% of your normal retirement benefit (as shown in the early retirement benefit table above).

Your monthly early retirement benefit = 80.8% x \$296.25 = \$239.37

**3. Finally, add the Medicare Part B Supplement, if eligible**

In addition, in this example, when you turn age 65, you will be eligible for the Medicare Part B Supplement Benefit. Therefore, you will begin to receive an additional \$25 each month when you turn age 65.

- Your monthly benefit = \$239.37

*plus*

- \$25

*equals*

- Your total monthly early retirement benefit with Medicare Part B Supplement = \$264.37

## Deferred Vested Benefits

### Eligibility for Deferred Vested Benefits

You are eligible to receive a deferred vested benefit if you terminate employment with a vested benefit before normal retirement age and do not meet the eligibility requirements for early retirement at that time. If you have less than ten years of vesting service, you can begin receiving your deferred vested benefit when you reach normal retirement age (age 65). Your benefit will be calculated as a normal retirement benefit.

You may begin receiving your deferred vested benefit in a reduced amount as early as age 60 if you have at least 10 years of vesting service (see the table below for reduction factors).

You must commence your benefit no later than April 1 following the year in which you reach age 70½.

### Benefit Amount for Deferred Vested Benefits

Depending on when you elect to have your benefit payments begin, your benefit will be calculated as follows:

- **Benefit at or after age 65** — If you begin payments at or after age 65, your deferred vested benefit is calculated as a normal retirement benefit.
- **Benefit between ages 60 and 65** — If you elect to begin payments between ages 60 and 65, your deferred vested benefit will be a percentage of the normal retirement benefit based on the table below.

Your age when payments begin	Percentage of your normal retirement benefit that you receive
65	100%
64	94%
63	88%
62	82%
61	76%
60	70%

*The table is shown in percentages for whole ages. Partial years will be prorated in years and months.*

### Deferred Vested Benefit Examples

See the examples that follow. Although these illustrations use full years of age and service, your retirement benefit will be based on your actual years and months of age and service at the time of your termination. These examples are based on the “straight life annuity” form of payment.

#### Example A — Deferred Vested Normal Retirement Benefit

Let’s assume you elect to begin payments at age 65. Also assume your monthly normal retirement benefit is \$500. The deferred vested benefit you receive at age 65 is unreduced, as shown below:

- $\$500 \times 100\%$  (deferred vested reduction) = \$500

**Example B — Deferred Vested Early Retirement Benefit**

Let's assume you elect to begin payments at age 60. Also assume your monthly normal retirement benefit is \$500. The deferred vested benefit is determined as follows:

- $\$500 \times 70\%$  (deferred vested reduction) = \$350 per month

## Disability Retirement Benefit

If you retire due to disability, you are eligible for a disability retirement benefit if you:

- Are considered disabled as defined by the Plan if you have a condition that a Company-appointed disability manager determines is a disability for non-retirement Plan purposes
- Have 10 years of vesting service as of your date of disability, and
- Have not reached normal retirement age (age 65) as of your date of disability.

### Benefit Amount

Your monthly disability benefit will be equal to your normal retirement benefit. Your benefit will be reduced by other benefits paid to you due to disability, until you reach age 65, including:

- Workers' Compensation payments
- Accident, sickness or disability payable under any public or private program to which Northrop Grumman contributes on your behalf.

Call the NGBC if you have questions about the offsets that may result to your Company-provided disability benefit if you commence an early retirement pension benefit.

### Commencement Date

After your termination of employment, you may begin receiving a disability retirement benefit on the first day of the month following the date you meet the eligibility requirements described above.

### Benefit Termination Date

Your disability retirement benefit is payable for as long as you are disabled.

## If You Die Before Benefit Payments Begin

### Married Participants

If you die after your benefit is vested but before your retirement benefit commences, your spouse will be eligible for a pre-retirement death benefit from the Plan.

***If your death occurred before January 1, 2008,*** your eligible spouse is the individual to whom you have been married for at least one year as of the date of your death.

***If your death occurs on or after January 1, 2008,*** your eligible spouse is the individual to whom you are married at the time of your death — there is no one-year requirement.

Your spouse's eligibility for the pre-retirement death benefit remains in effect whether or not you leave the Company, but will end on the earliest of:

- Your retirement date
- The date on which you no longer have a legal eligible spouse.

A former spouse can be deemed an eligible spouse for all or part of any pre-retirement spouse benefit from the Plan, if provided under a Qualified Domestic Relations Order (QDRO).

### Pre-retirement Death Benefit

<b>Surviving Spouse Benefit — If You Die While Actively Employed</b>	
If you die at or after age 55 and you have at least 10 years of vesting service	<p>If you die while actively employed by the Company and before your benefit payments are scheduled to begin, your spouse's benefit is equal to 50% of your accrued monthly normal retirement benefit, determined by the rate in effect at the time of your death and multiplied by a reduction factor for the 50% joint and survivor annuity form of payment. There is no early retirement reduction on this benefit.</p> <p>Your spouse's benefit is payable immediately upon your death.</p>
If you die prior to reaching age 55 and you have at least 10 years of vesting service	<p>If you die while actively employed by the Company and before your benefit payments are scheduled to begin, your spouse's benefit is equal to 50% of your accrued monthly benefit, determined by the rate in effect at the time of your death and multiplied by a reduction factor for the 50% joint and survivor annuity form of payment. The amount of this benefit is then multiplied by an early retirement reduction factor of 0.4% per month of commencement prior to age 65, based on the date your spouse commences the benefit.</p> <p>Your surviving spouse may elect to begin receiving a deferred benefit payment as early as the first day of the month coincident with or following the date you would have reached age 55.</p>

<b>Surviving Spouse Benefit — If You Die While Actively Employed (continued)</b>	
<p>If you die prior to reaching age 55 and you have between 5 and 10 years of vesting service</p>	<p>If you die while actively employed by the Company and before your benefit payments are scheduled to begin, your spouse's benefit is equal to 50% of your accrued monthly benefit, determined by the rate in effect at the time of your death and multiplied by a reduction factor for the 50% joint and survivor annuity form of payment.</p> <p>Your surviving spouse will begin receiving a deferred benefit payment on the first day of the month coincident with or following the day you would have reached age 65.</p>
<b>Surviving Spouse Benefit — If You Die After You Terminate Employment</b>	
<p>If you die after your benefit is vested, regardless of age, but before your benefit payments are scheduled to begin</p>	<p>If you die after terminating your employment with the Company and before your benefit payments are scheduled to begin, your spouse's benefit is equal to 50% of your accrued monthly benefit, determined by the rate in effect at the time you terminated employment and multiplied by a reduction factor for the 50% joint and survivor annuity form of payment. The amount of this benefit is then multiplied by an early retirement reduction factor of 0.5% per month of commencement prior to age 65, based on the date your spouse commences the benefit.</p> <p>Your surviving spouse may elect to begin receiving a benefit payment on the first day of the month coincident with or following:</p> <ul style="list-style-type: none"> <li>■ The date you would have reached age 55, if you had at least 10 years of vesting service at the time of your death</li> <li>■ The date you would have reached age 65, if you had less than 10 years of vesting service at the time of your death. the date you would have reached age 55.</li> </ul>

In all of the above situations, however, if you elect a 75% or 100% joint and survivor annuity form of payment within 90 days before your benefit payments are scheduled to begin, and then you die before your benefit payments begin, your spouse will receive the greater of your elected form of payment and your pre-retirement joint and survivor annuity. (Note: You must have elected your spouse as your beneficiary before your death.)

**Duration of Benefit Payments**

Your spouse's benefit is payable monthly for the duration of his or her life.

**Unmarried Participants**

No benefit is payable upon your death if you are *not* married and you die before your retirement benefit commences.

## Payment Options

The Plan provides several optional forms of payment to help meet your retirement needs. Your form of payment election cannot be changed on or after your retirement date.

### Spousal Consent

If you are married when you retire, written and notarized spousal consent is required if you elect any option other than the 50%, 75%, or 100% Joint and Survivor option with your spouse designated as the beneficiary.

### Forms of Payment

- ***Straight Life Annuity*** — You receive monthly payments for your lifetime. When you die, the Plan does not pay benefits to anyone else. If you are married when you retire, your spouse must consent in writing to this form of distribution. If you are single when you retire, your benefit normally will be paid as a straight life annuity, unless you elect one of the other forms of payment for which you qualify.
- ***Joint and Survivor Annuity (50%, 75% or 100%)*** — You receive a monthly benefit for your lifetime. When you die, your spouse or other named beneficiary receives a monthly payment equal to 50%, 75% or 100% of your monthly benefit (whichever you selected) for the rest of his or her lifetime. The monthly benefit you receive during your lifetime is smaller than the monthly benefit you would receive under the straight life annuity option, because benefits are paid over the joint lifetimes of you and your beneficiary. If your beneficiary dies before you but after your benefit payments are scheduled to begin, the Plan pays benefits for your lifetime only.

If you are married when you retire, your benefit normally will be paid on a 50% joint and survivor basis with your spouse as the designated survivor, unless you elect one of the other forms of payment for which you qualify. If you are married when you retire and choose a form of payment other than a 50%, 75% or 100% joint and survivor annuity with your spouse as beneficiary, your spouse must provide written, notarized consent.

If your spouse or beneficiary dies before your benefit payments are scheduled to begin, you should notify the NGBC immediately and select a different payment option. After the date your benefit payments are scheduled to begin, they will not be recalculated for a change in marital status.

If you elect a beneficiary other than your spouse, IRS rules may limit the level of the survivor benefit and may prevent the election of a joint annuitant who is significantly younger than you for joint and survivor annuity options other than the 50% option. Please contact the NGBC for more information.

- ***Level Income Annuity*** — You receive a greater monthly payment for the months before you reach age 62, the Social Security early retirement age. At age 62, your monthly payment amount is reduced by an estimate of your age 62 Social Security benefit. If you commence your Social Security benefit at age 62 and it is approximately equal to the reduction provided in your retirement benefit calculation, this option enables your income to “level out” pre- and post-age 62. If you are married when you

retire, your spouse must consent in writing to this form of distribution.

Here's how your benefit would be calculated:

■ **Your pre-62 monthly benefit**

*equals*

Your benefit calculated under the straight life annuity form of payment (reduced, as applicable, for early retirement)

*plus*

Your estimated Social Security benefit  
*multiplied by*  
A Level Income annuity factor based on your age

■ **Your post-62 monthly benefit**

*equals*

Your pre-62 monthly benefit  
*minus*  
Your estimated Social Security benefit

Your first post-62 benefit payment will take place on the first of the month coincident with or following your 62<sup>nd</sup> birthday. You will not be offered this option if the monthly post-62 benefit using an estimated Social Security benefit is \$25 or less.

**Example** — Assume you retire at age 60 with a straight life annuity benefit of \$1,000 per month, and the Level Income annuity factor is 0.85. Further, assume the Plan estimate of your age 62 Social Security benefit is \$500 and your actual age 62 Social Security payment is \$550.

Your retirement benefit calculation will show Plan payments for a level income option as follows:

■ **Pre-62 monthly benefit from the Plan**

Straight life annuity of \$1,000

*plus*

\$500 x 0.85 = \$1,425

■ **Post-62 monthly benefit from the Plan**

\$1,425 – \$500 = \$925

If you elect this option and commence your actual Social Security benefit at age 62, your *total* monthly income will be as follows:

■ **Pre-62 monthly benefit from the Plan** = \$1,425

■ **Post-62 total monthly benefit**

Post-62 monthly benefit of \$925

*plus*

your actual Social Security benefit of \$550 = \$1,475

As a result, your pre- and post-62 income remains approximately level.

*Note: The age at which you may begin your Social Security benefits depends on the year of your birth. Be sure to confirm your eligible start date with the Social Security Administration. Social Security benefits that start before age 65 are reduced, because payments are made over a longer period of time. Your actual Social Security benefit may be more or less than the estimate used to determine your Plan benefit under the level income option. However, your level income payments will not be adjusted if that is the case.*

- **Ten Year Certain and Continuous** — You receive a monthly benefit for your lifetime. Electing this form of payment means there will be a reduction in the amount of your straight life annuity benefit based on your age at retirement.

If you die before 120 payments have been made, the remainder of the 120 payments will be paid to your designated beneficiary. If your beneficiary dies after you but before 120 payments have been made, the remainder of the 120 payments will be paid to your beneficiary's estate in a lump sum. If your beneficiary predeceases you before the 120 payments have been made, you may designate another beneficiary, provided you obtain your spouse's consent, if applicable. You may designate your estate or a trust as your designated beneficiary for this payment option. If you are married when you retire, your spouse must consent in writing to this form of distribution.

- **Lump Sum** — If the present value of your accrued benefit is equal to or less than \$5,000, you can elect to receive your benefit as a lump sum.

Electing a lump sum payment means you are electing to receive, in a single payment, the actuarial present value of the straight life annuity benefit — there will be no further payments from the Plan.

If you are married when you retire, your spouse must provide written, notarized consent to this form of distribution. The lump sum amount will depend on your age at retirement, the interest rate used and a mortality table. For a list of the applicable interest rates, please access *Benefits OnLine* at <http://benefits.northropgrumman.com>, or contact the NGBC.

If you elect the lump sum form of payment for your benefit, you must make a direct rollover to an IRA or to another qualified plan in order to defer income taxes on the payment. *Any taxable amount not directly rolled over will have 20% automatically withheld for federal income taxes.*

## Tax Considerations

### Maximum Benefits for Tax Purposes

Plan benefits are limited to an annual maximum by federal law. In addition, federal tax law limits the amount of compensation that may be used to calculate your benefits. Those limits may be raised in accordance with Internal Revenue Service (IRS) regulations.

### When You Pay Taxes

Generally, when you receive your monthly retirement benefit payments, you are subject to federal income tax and, in some states, state and local income tax.

If you receive a lump sum payment of your benefit before you have reached age 55, the payment may be subject to a 10% penalty tax in addition to the federal — and, if applicable, state and local — tax. You can delay paying taxes on your lump sum distribution — and avoid the additional 10% tax — by rolling over your lump sum payment to an individual retirement account (IRA) or another employer's retirement plan within 60 days of your lump sum payment date.

The additional 10% tax does not apply if your beneficiary receives a lump sum distribution as a result of your death.

## General Plan Information

Your benefits belong to you and, except in the case of a qualified domestic relations order (QDRO), Internal Revenue Service (IRS) levy, or garnishment orders under the Federal Debt Collection Procedures Act or the Mandatory Victims Restitution Act, may not be sold, assigned, transferred, pledged, or garnished. See “Payment of Benefits to Alternate Payees” for details about QDROs.

### Facility of Payment

If you (or your beneficiary) are unable to manage your own affairs, any payments due may be paid to someone who is legally authorized to conduct your affairs, or deposited in your bank account or directly or indirectly paid for your comfort, support, and maintenance.

### Payment of Benefits to Alternate Payees

The Employee Retirement Income Security Act (ERISA) requires the plan administrator to obey qualified domestic relations orders (QDROs). A QDRO is a legal judgment, decree, or order that recognizes the rights of someone other than the Plan participant (namely, an alternate payee) under the Plan with respect to child or other dependent support, alimony, or marital property rights.

If you become legally separated or divorced, a portion of your benefits under the Plan may be assigned to someone else to satisfy a legal obligation you may have to a spouse, former spouse, child, or other dependent. These payments may begin while you are still employed, but only after meeting the specific retirement eligibility requirements.

There are specific requirements that a QDRO must meet to be accepted by the plan administrator. In addition, there are specific procedures regarding the amount and timing of payments.

The Northrop Grumman Domestic Relations Matters Group administers QDROs. If you are or may be subject to such an order, call the Northrop Grumman Domestic Relations Matters Group at 1-888-887-5078 to request a copy of the Plan’s QDRO procedures and a model QDRO for your use. Issues pertaining to the qualified status of a domestic relations order may be pursued in federal court.

### Top Heavy Rules

Certain tax rules — called “top heavy” rules — apply if a large percentage of the Plan’s benefits accrue in favor of key employees, as key employees are defined by the Internal Revenue Code. The administrator will notify you if your benefits are affected by top heavy rules.

### Loss of Benefits

Certain circumstances result in a loss or delay of benefits, such as, among others, those described below:

- If you terminate employment with Northrop Grumman before becoming vested, you receive no Company-funded benefits from the Plan.
- If you move and do not notify the NGBC of your new address, you will not receive benefits until you contact the plan administrator. If you fail to notify the plan administrator of your new address and you cannot be located, in some cases you may forfeit your benefit. However, your benefit will be reinstated if you provide your new address to the plan administrator.
- Failure to notify the NGBC in a timely manner before your retirement date (as described in the “Applying for Your Benefit” section) may result in a delay in payment or even a forfeiture of benefits.
- If the Plan is terminated before you retire, you are unable to earn benefits after the date of plan termination. If there are not enough funds to pay all benefits at termination, the Pension Benefit Guaranty Corporation (PBGC) guarantees all or a portion of the benefit you earned before the Plan terminated.
- If you die before commencing benefit payments under the Plan, any Company-funded benefit you had earned will be forfeited unless it is payable to a qualifying spouse.

## **Your ERISA Rights**

In 1974, Congress passed the Employee Retirement Income Security Act (ERISA) to safeguard the interests of participants and beneficiaries under employee benefit plans. As a participant of the Plan, you have certain rights and protections under ERISA, as outlined in the following statement adapted from regulations of the U.S. Department of Labor.

As a plan participant, under ERISA you have the right to receive information about your plan and benefits:

- Examine without charge, at the plan administrator’s office or other convenient location, all documents governing the Plan, including plan documents, trust agreements, and a copy of the latest annual report filed by the Program with the U.S. Department of Labor.
- Obtain copies of all plan documents and other documents governing the operation of the Plan, including copies of the latest annual report and updated SPD, by writing to the plan administrator. The plan administrator may charge a reasonable fee for the copies.
- Receive a summary of the Plan’s annual financial reports. You do not have to ask for your copy of the summary — the plan administrator sends it to you each year.
- Receive a written explanation of the reason for denial, if your claim for a pension benefit is denied by the plan administrator, in whole or in part, and obtain copies of documents relating to the decision without charge. As explained later, you have the right to have the plan administrator review and reconsider your claim within certain time schedules.
- Obtain a statement telling you if you have a right to receive a pension at normal retirement age and if so, what your estimated benefits would be at normal retirement age if you stop working under the Plan now. If you do not have a right to a pension, the statement will tell you how many more years you have to work to get a right to a pension. This statement must be requested in writing and is not required to be given more than once every 12 months. The plan administrator must provide the statement free of charge.

## **Prudent Actions by Plan Fiduciaries**

In addition to creating rights for plan participants, ERISA imposes duties on the Plan fiduciaries, the people responsible for operating the Plan. At Northrop Grumman, plan fiduciaries may include employees who make certain discretionary decisions about the

management or administration of the Plan. Fiduciaries also may include outside investment advisors and trustees.

Fiduciaries have a duty to operate the Plan prudently and in the interest of you and other plan participants and beneficiaries. Fiduciaries who violate ERISA may be removed and/or required to make good on losses that they caused the Plan.

No one, including Northrop Grumman 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.

### **Enforcing Your ERISA Rights**

Under ERISA, there are several steps you can take to enforce your rights. For instance, if you request plan documents or the latest annual report from the Plan and you do not receive them within 30 days, you may file suit in 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 them, unless the materials were not sent for a reason beyond the control of the plan administrator or the plan administrator otherwise had a reasonable basis for not providing them.

If you have a claim for benefits that is denied or ignored, in whole or in part, and you have been through all of the Plan's appeals procedures (as explained later in this document), then you may file suit in a state or federal court. In addition, if you disagree with the Plan's decision (or lack of decision) concerning the qualified status of a domestic relations order, you may file suit in a federal court.

If a fiduciary misuses the Plan'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 federal court.

In addition to deciding what damages, if any, should be awarded, the court will decide who should pay the court costs and legal fees. If you are successful, the court may order the person you sued to pay them. If you lose, the court may order you to pay these costs and fees (for example, if it finds your claim to be frivolous).

### **Assistance with Your Questions**

If you have any questions about the Plan, you should call the NGBC at 1-800-894-4194 between the hours of 9:00 a.m. and 6:00 p.m. Eastern time. If you have any questions about your rights under ERISA or about this statement outlining your rights, or if you need assistance in obtaining documentation from the Plan administrator, you should contact the nearest regional office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory. You also may contact the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, DC 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 at 1-866-444-3272.

## **Discretionary Authority of Plan Administrator**

The Plan Administrator or its delegate shall have full and sole discretionary authority to interpret all plan documents and to make all interpretive and factual determinations as to whether any individual is entitled to receive any benefit under the terms of this Plan. The Plan Administrator or its delegate shall determine, exercising its discretion, appropriate courses of action in light of the reason and purpose for which this Plan is established and maintained. Any construction of the terms of any plan document and any determination of fact adopted by the Plan Administrator or its delegate shall be final and legally binding on all parties.

## **Incorrect Payment of Benefits**

If the Plan Administrator or its delegates, in their full discretion, determine that the Plan made an incorrect payment of benefits, and that a correction is necessary or desirable under the law, the Plan may recover the amounts incorrectly paid either by requiring the payee to return the excess to the Plan, by reducing any future Plan payments to the payee, or by any other method deemed reasonable to the Plan Administrator or its delegates.

## **Claims and Appeals Processes**

### **Claiming Benefits**

If you believe you are entitled to benefits other than those provided to you, you may file a claim for benefits with the plan administrator. To do so, you must send a written notice to the plan administrator at the following address:

Administrative Committee — Northrop Grumman Naval Systems Division —  
Cleveland Facility Hourly-Wage Employees Pension Plan  
Northrop Grumman Corporation  
1840 Century Park East, 90/129/CC  
Los Angeles, CA 90067

You will receive notice of the plan administrator's decision on your claim for benefits generally within 60 days after the plan administrator receives your claim. In special cases, the plan administrator may require an additional 90 days to consider your claim. In such case, you will receive, within the original 60-day time period, written notice of the need for additional time, the reasons the additional time is necessary, and the date the plan administrator expects to reach its decision.

If your claim for a benefit is denied, in whole or in part, you (or your beneficiary) must receive a written explanation of the reason for the denial from the plan administrator. This written notice will include:

- Specific reasons for the denial
- References to plan provisions on which the denial is based
- A description of additional materials or information that are necessary
- Procedures for appealing the decision, including applicable time limits
- A statement of your right to bring a civil action under Section 502(a) of ERISA following a denial of your claim on appeal.

You or your authorized representative may review all documents related to any denial of benefits.

### **Appealing Claims Decisions**

If you disagree with the plan administrator's decision regarding your benefits claim, you have 65 days from the receipt of the original denial to request a review. This request should be made in writing and sent to the plan administrator at the following address:

Administrative Committee — Northrop Grumman Naval Systems Division —  
Cleveland Facility Hourly-Wage Employees Pension Plan  
Northrop Grumman Corporation  
1840 Century Park East, 90/129/CC  
Los Angeles, CA 90067

Your request should state all the grounds on which your request for a review is based. You should state any facts, address any issues, and make any comments that support your request. Besides having the right to appeal, you or your authorized representative also has the right to examine, at locations and times convenient to the plan administrator, or to receive copies of, upon request and free of charge, any documents, records or other information relevant to your claim.

The claim appeal will be reviewed by the administrative committee, and ordinarily you will be notified, in writing, of a decision within 60 days. In special cases, the plan administrator may require an additional 60 days to consider your appeal. You will be notified within the initial 60-day period if extra time is required and the reason the extra time is required.

You will receive written notification of the final decision, including, for an adverse decision:

- Specific reasons for the decision
- References to specific plan provisions on which the decision is based
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records or other information relevant to your claim
- A statement of your right to bring a civil action under Section 502(a) of ERISA following a denial of your claim on appeal.

The final decision will be sent to you in writing, together with an explanation of how the decision was made. The decision of the plan administrator is final and conclusive.

If your claim appeal is denied, you may bring legal action in court provided you abide by certain time limitations. Specifically, you may not bring legal action against a party under the Plan after the latest of:

- One year from the time the claim arises
- 90 days from the final disposition of the claim by the Administrative Committee.

In addition, the action must be filed before the time limit described above and any otherwise applicable statute of limitations expires, whichever comes first. For details on when a claim arises, see the plan document.

## **Pension Benefit Guaranty Corporation (PBGC)**

If the Plan is terminated, benefits under this plan are insured by the Pension Benefit Guaranty Corporation (PBGC), a federal government agency. Generally the PBGC guarantees most vested normal age retirement benefits, early retirement benefits, and certain survivors' pensions. However, the PBGC does not guarantee all types of benefits under covered plans, and the amount of benefit protection is subject to certain limitations.

The PBGC guarantees vested benefits at the level in effect on the date of plan termination. However, if a plan was in effect for less than five years before it terminates, or if benefits were increased within the five years before plan termination, not all of the Plan's vested benefits or the benefit increase may be guaranteed. In addition, there is a ceiling on the amount of monthly benefit that the PBGC guarantees, which is adjusted annually.

You can receive more information on PBGC insurance protection and its limits from the PBGC directly at:

Office of Communication  
Pension Benefit Guaranty Corporation  
1200 K Street, N.W.  
Washington, DC 20005-4026  
202-326-4000

## **Funding and Plan Assets**

The cost of the Plan is paid by the plan sponsor and through employee contributions. All plan sponsor contributions are actuarially determined.

All assets of the Plan are held in a master trust. Plan assets are held for the exclusive benefit of the Plan participants. The assets of the master trust can become the property of Northrop Grumman only after all Plan obligations have been satisfied. Contributions to a plan may be returned to Northrop Grumman if the Internal Revenue Service (IRS) fails to issue a favorable determination letter concerning the Plan, if the contributions were made in error, or if the IRS determines that the contributions are not deductible.

All reasonable and proper administrative expenses of the Plan, including counsel fees, may be paid from the Plan assets.

## **About this Guide and the Plan Documents**

In accordance with the disclosure requirement of ERISA, this guide serves as a summary plan description (SPD) of the Northrop Grumman Naval Systems Division — Cleveland Facility Hourly-Wage Employees Pension Plan. As such, it is intended to provide you with a brief explanation of your pension plan. It is not an official plan document, and neither the plan documents nor this guide constitutes an implied or expressed contract of employment. The actual terms of the Plan are contained in the plan documents, which are available from the NGBC for a fee.

The official plan text and trust agreement govern the operation of the Plan and payment of all benefits. In the event of any ambiguity in or omission from this guide, or any conflict between

this guide and the official plan text and trust agreement, the official plan text and trust agreement govern.

### **Future of the Program**

The Company or its delegates may amend, suspend or terminate the Plan at any time by written resolution.

When plan amendments are made that materially affect benefits, a summary of the changes will be communicated to affected plan participants. If the Plan is terminated, plan benefits will immediately become vested for affected participants.

### **Contact Information**

The following chart contains contact information, provided in accordance with ERISA, which may be helpful to you. For more information on your ERISA rights, see “Your ERISA Rights” and “Enforcing Your ERISA Rights.”

<b>Plan Sponsor</b>	Northrop Grumman Corporation 1840 Century Park East, 90/129/CC Los Angeles, CA 90067
<b>Plan Sponsor EIN</b>	95-4840775
<b>Type of Plan</b>	Defined benefit pension plan
<b>Type of Funding</b>	Under a trust
<b>Plan Number</b>	019
<b>Plan Name</b>	Northrop Grumman Naval Systems Division — Cleveland Facility Hourly-Wage Employees Pension Plan
<b>Plan Administrator</b>	Administrative Committee — Northrop Grumman Naval Systems Division — Cleveland Facility Hourly-Wage Employees Pension Plan Northrop Grumman Corporation 1840 Century Park East, 90/129/CC Los Angeles, CA 90067 1-800-894-4194
<b>Agent for Service of Legal Process</b>	Corporate Secretary Northrop Grumman Corporation 1840 Century Park East, 90/129/CC Los Angeles, CA 90067
<b>Plan Trustee</b>	State Street Bank and Trust Company Master Trust Client Services One Enterprise Drive - W6C North Quincy, MA 02171
<b>Plan Year End</b>	December 31