

# The Northrop Grumman Severance Plan

Effective April 1, 2009

# Today's Topics

- Eligibility
- Health Benefits
- Retirement Benefits
- Resources
- Questions

# Severance Plan Eligibility

# Severance Eligibility

- You are designated as eligible when you receive an individually addressed letter, signed by an approved representative, notifying you that you meet the eligibility requirements for participation in the Severance Plan
- You must remain employed in your current position until you are laid off by your management; if you voluntarily quit, retire, or transfer to another position within the Company between your layoff notification date and your last day worked, you will not receive benefits under this plan
- You must sign a Confidential Separation Agreement and General Release
- Consult with your HR generalist for further details

# Health Benefits

# Benefits Continuation under COBRA

- Benefits coverage under COBRA, if elected, continues for a maximum of 18 months (extensions are available under certain circumstances)
- Your 18 month COBRA eligibility period begins on the first of the month following your last day worked
- You may elect benefits continuation under COBRA only for those health plan options that were in effect on the day before your benefits terminated
- COBRA is available for eligible dependents covered as of your last day of work

# The American Recovery and Reinvestment Act of 2009

The American Recovery and Reinvestment Act (ARRA) was signed into law by President Obama on February 17, 2009.

This legislation includes provisions that expand COBRA coverage for certain employees.

Northrop Grumman, like all employers, is awaiting guidance from the Department of Labor and the IRS as to how this will be administered.

Additional information will be provided and posted to *Benefits OnLine*

# Employee Cost for Benefits Continuation

## No Cost Period

- You will receive an extension of your medical, dental and vision benefits through the end of the month of your date of termination plus one additional month
- If you are not covered by medical, dental and/or vision benefits at the time of your layoff this feature does not apply to you
- The period of coverage from your last day of work through the end of the following month is fully paid for by the company

# Employee Cost for Benefits Continuation

## **Subsidized COBRA Period**

- The Federal Government subsidizes 65% of the cost of COBRA for the lesser of nine months or until you are eligible for Medicare or another group plan
- Employee cost is 35% of the total COBRA premium  
Example: Assuming the full COBRA premium for your medical plan is \$455 per month, your cost during the subsidy period would be \$159.25 per month
- Your covered spouse and children are also eligible for the subsidy

# Employee Cost for Benefits Continuation

## **Full Cost Period**

- The remaining 9 months of COBRA eligibility are not subsidized
- You pay 100% of the COBRA premium which is based on the full group rate plus a 2% administrative fee
- Coverage continues for the remainder of your 18 month COBRA period, as long as premiums are paid on a timely basis

## Paying for your Benefits

- You will be billed for your COBRA coverage by the Northrop Grumman Benefits Center
- The first bill will be sent shortly after the termination of your active benefits
- Subsequent bills are prepared on the 10<sup>th</sup> of each month and mailed on the 15<sup>th</sup>
- Payment is due on the 1<sup>st</sup> of the month, in advance, with a 30-day grace period

## Medicare Eligible Participants

- If you and/or a dependent are Medicare eligible (because you are 65 or under 65 and disabled), you **MUST** enroll in Medicare Part B as soon as your active employment ends.
- Severance/COBRA coverage is not considered active employer coverage and therefore is secondary to Medicare.
  - Claims will be processed as though Medicare has paid primary
  - Failure to enroll in Medicare B as soon as active employment ends may also result in an SSA/Medicare imposed penalty on all future Medicare B premiums
- Medicare eligible participants do not qualify for the subsidy

## Miscellaneous Information

- If you are currently covered by an EPO/HMO and you move out of the EPO/HMO coverage area, you must contact the NGBC at 1-800-894-4194 within 31 days of your change in residence to enroll in a plan option available in your new area
- If your spouse is an NG employee, you may elect coverage under his/her benefits in lieu of COBRA
- Northrop Grumman is required to report your COBRA subsidy payments on your W-2

# Flexible Spending Accounts (FSAs)

## Health Care Flexible Spending Account

- Your before-tax contributions cease as of your layoff date.
- Only expenses incurred prior to your layoff date are eligible for reimbursement.
- You may choose to continue coverage through COBRA by making after-tax contributions. This allows you to file claims for expenses incurred after your layoff date.
- Claims must be submitted by December 31 following the end of the plan year.

## Dependent Day Care Flexible Spending Account

- Your before-tax contributions cease as of your layoff date.
- Claims may be filed for expenses incurred through the end of the plan year and must be submitted by December 31 following the end of the plan year.

## Life and Accidental Death & Dismemberment (AD&D) Insurance

- Your Basic Company-provided and Optional Life and AD&D Insurance coverage ends on your layoff date
- Continuation of Life Insurance must be elected **within 31 days** of your layoff date.
- Continuation of AD&D Insurance must be elected **within 90 days** of your layoff date.
- Conversion/portability forms are available on *Benefits OnLine* or by contacting the Northrop Grumman Benefits Center at 1-800-894-4194

## Other Benefits

- **Short-Term and Long-Term Disability**

Coverage stops on layoff date. Conversion coverage is not available

- **Business Travel Accident Insurance**

Coverage stops on layoff date. Conversion coverage is not available.

- **Group Legal**

Coverage stops on layoff date. Coverage may be continued on an individual basis for the remainder of the calendar year, depending on your state of residence. You should call Legal Resources at 1-800-728-5768 for more information.

# Northrop Grumman Savings Plan

# Northrop Grumman Savings Plan

- You are 100% vested and entitled to the full value of your account. This includes your contributions, company matching contributions and all earnings
- If your account balance exceeds \$1,000 you may:
  - Receive payment of your entire account balance (lump-sum distribution)
  - Receive payment of a portion of your account balance (partial distribution)
  - Leave your money in the NG Savings Plan and delay taking a distribution as late as age 70½
  - Roll over your account balance to another employer's qualified plan or an IRA
- If your account balance is \$1,000 or less, you will automatically receive a lump-sum distribution which may be rolled over to an IRA or other qualified account.

# Northrop Grumman Savings Plan

- If your account balance is greater than \$1,000 and you decide to leave your account balance in the Savings Plan, you may continue to transfer and reallocate your existing fund balances, request eligible withdrawals and continue to make any outstanding loan payments
- If you have an outstanding loan and do not continue making payments, the remaining loan amount will be defaulted and will be considered a distribution and will be subject to any applicable taxes and penalties.
- Once you have terminated from the company, you can no longer contribute to your account
- Review the Northrop Grumman Savings Plan Summary Plan Description (SPD) accessible at *Benefits OnLine* for more details

## Northrop Grumman Savings Plan – Taxes

- If you elect to receive a distribution, your tax-deferred contributions, company matching contributions and all investment earnings are taxed as ordinary income. Unless you elect to directly roll over your account balance to an IRA or other qualified plan, current law requires:
  - 20% Federal Income Tax withholding on the taxable portion of the distribution
  - May be subject to an additional 10% Federal penalty
  - State penalties may also apply in some cases
- Your Savings Plan account will not be assessed a 10% Federal Penalty Tax if:
  - You are age 55 or older and elect early retirement
  - You are 59½ years of age or older
  - You roll over your distribution to an IRA or another employer's qualified plan within 60 days of the date you receive it

# Retiree Medical

## Retiree Medical – Access Only Eligibility

- If you were hired after the freeze date, or your heritage company did not offer a retiree medical plan, you are eligible for Access Only Retiree Medical coverage if you meet the following requirements:
  - At least age 55 with a minimum of 10 Years of Service
  - At least age 65 with a minimum of 5 Years of Service
- Access Only offers the same medical plan options but the costs are not subsidized by Northrop Grumman

## Retiree Medical – Special Layoff Provision

- If you do not currently meet the age and service requirements for a Heritage or Access Only plan you may still qualify for Retiree Medical if you are:
  - At least 53 on the layoff date with a minimum of 10 years of service
  - Under age 53 but have 75 points (age + years of service)
- Those employees who meet the criteria above may commence Retiree Medical coverage the first of any month after attaining age 55 by contacting the Northrop Grumman Benefits Center

## Retiree Medical – Plan Options

- Pre-Medicare Options
  - Anthem Preferred PPO with and without Rx
  - Anthem CDHP (formerly Lumenos)
  - National EPO – Aetna
  - Regional EPOs: CIGNA, Health Net and UHC (formerly PacifiCare)
  - Various HMOs (Kaiser CA and Mid-Atlantic; HIP-NY, Optimum Choice, Health Plan NV)
  - TRICARE Supplement
  - Stand Alone Prescription Drug Option

## Retiree Medical – Plan Options

- Medicare eligible Options
  - Medigap (Anthem, Aetna, or CIGNA) with and without Rx
  - Anthem CDHP (formerly Lumenos)
  - Medicare Advantage HMOs (Kaiser CA, Health Net, HIP, Secure Horizons, Health Plan NV)
  - Medicare Supplement HMO (Kaiser Mid-Atlantic)
  - Stand Alone Prescription Drug option
- Detailed information about all options is available at *Benefits OnLine – Retiree Connection* or from the Northrop Grumman Benefits Center

## Retiree Medical – Enrollment Options

- If you are immediately eligible for retiree medical you may:
  - Immediately elect retiree medical
  - Defer coverage until after the free period
  - Defer coverage until after the COBRA period
  - Defer retiree medical indefinitely
  
- Dental and/or vision can be continued through COBRA even after you commence retiree medical.
  - Dental and vision plans are also available to retirees through the NG Federal Credit Union

# Northrop Grumman Cash Balance Pension Program

# Northrop Grumman Pension Program

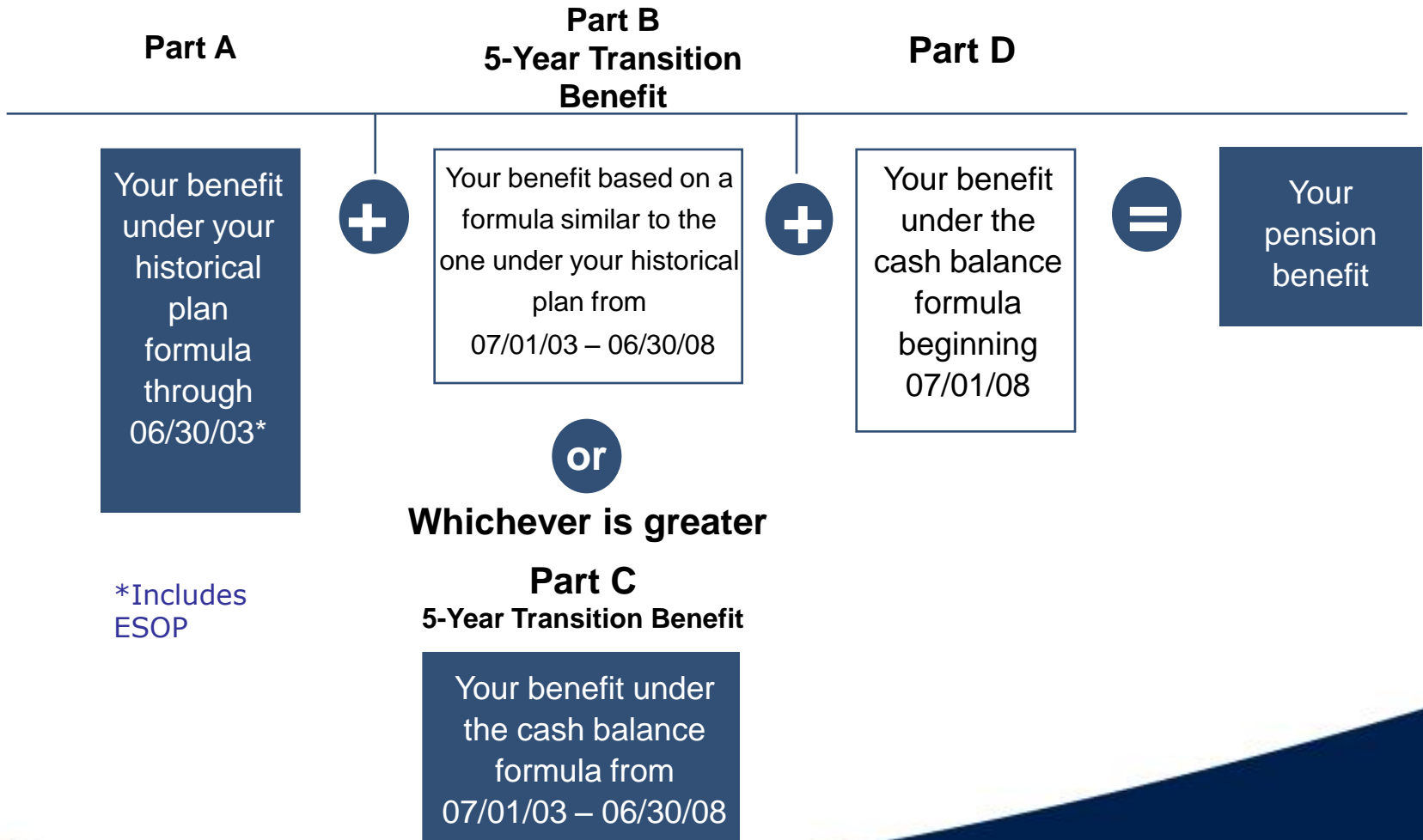
- If you are laid off before reaching age 55 and have at least 10 years of vesting service, you can commence your pension benefit as early as age 55 using deferred vested factors
- If you are at least age 55 and have at least 10 years of vesting service when you are laid off, you can commence your pension benefit immediately using early retirement factors
- Normal Retirement  
The later of age 65 or  
Your age on the fifth anniversary of your participation in the Plan or the date you complete three years of vesting service, whichever is earlier

## Special Layoff Provision

- If you are laid off before reaching age 55, you may elect an early retirement benefit to begin at age 55, or the first of any subsequent month, if you have:
  - Attained age 53 with 10 or more years of vesting service at the time of your layoff or
  - Have 75 points or higher on the date of your layoff (age + service)
- Early retirement factors will be used for benefit calculation if you meet the requirements of this provision
- This applies to all parts of your pension benefit

# Avondale Heritage Pension Information

# Avondale Heritage Retirement Benefits



\*Includes ESOP

# Retirement Eligibility

- Avondale Heritage Pension Benefit (Parts A & B)

If you are at least age 65 and have at least 5 years of service when you are laid off, you can immediately commence your unreduced pension benefit

If you are at least age 55 and have at least 10 years of service when you are laid off, you can immediately commence your pension benefit using early retirement factors

If you are laid off before reaching age 55 and have at least 5 years of continuous service, you can commence your pension benefit at age 65

- Northrop Grumman Pension Benefit (Parts C & D)

If you are at least age 55 and have at least 10 years of vesting service when you are laid off, you can immediately commence your pension benefit using early retirement factors

If you are laid off before reaching age 55 and have at least 10 years of vesting service, you can commence your pension benefit as early as age 55 using deferred vested factors

If you are at least age 65 and have at least 3 years of service when you are laid off, you can immediately commence your unreduced pension benefit

## Special Layoff Provision

- If you are laid off before reaching age 55, you may elect an early retirement benefit to begin at age 55, or the first of any subsequent month, if you have:
  - Attained age 53 with 10 or more years of vesting service at the time of your layoff or
  - Have 75 points or higher on the date of your layoff (age + service)
- Early retirement factors will be used for benefit calculation if you meet the requirements of this provision
- This applies to all parts of your pension benefit

## Early Retirement Factors Avondale Heritage

### Your age when payments begin

### Percentage of benefit that you receive

55 years	49.60%
56 years	52.96%
57 years	56.32%
58 years	59.68%
59 years	63.04%
60 years	66.40%
61 years	73.12%
62 years	79.84%
63 years	86.56%
64 years	93.28%
65 years	100%

## Payment Options

- Parts A, the greater of B or C and Part D
  - Single life annuity
  - 50%, 75%, 100% contingent annuitant
  - 10 year certain and continuous
  - Age 62 level income

# Resources

# Benefits OnLine Home Page

Print Page | Email Page

**NORTHROP GRUMMAN** Benefits OnLine

Home | Benefits Overview | Life Events | Health | Savings | Pension | EAP | Retiree Connection

Benefits Online

**my>>benefitsaccess** log in

**Welcome to Benefits OnLine**  
your single source for all your benefits needs

Access for all Benefit Transactions > **my>>benefitsaccess** log in

Text Size: [Decrease](#) | [Increase](#)

Search

**Quick Links**

**Resources**

- > New Hire Enrollment
- > Provider Links
- > Summary Plan Descriptions
- > Forms
- > Tobacco Cessation Program
- > Best Doctors
- > LifeLock Identity Protection
- > Voluntary Insurance (NGFCU) for Employees and Retirees

**Archives**

- > Benefit News
- > Communications Library

**Company Links**

- > Gateway (Intranet only)
- > Employee Direct Access

**Northrop Grumman Benefits News**

- > Access to your Pension Benefits Online – Updated January 2009
- > Is Your New Year's Resolution To Quit Tobacco?

**Investment Center**

- > How Do Interest Rates Affect the Economy?
- > How Do Interest Rates Affect Your Savings Plan Investments?
- > Should I Stop Investing in the Savings Plan Until the Financial Markets Become More Stable?

**Wellness Center**

- > Oral health: A window to your overall health
- > Belly fat in men: Why weight loss matters

**Spotlight**

February is National Children's Dental Health Month. Have your children visited the dentist recently? Preventive care such as routine cleanings and x-rays are included in Northrop Grumman's dental plans. [View summaries of dental plan benefits.](#)

**New Hires**

- > [Benefits Overview](#)
- > [ENROLL in the Northrop Grumman benefits program](#)

→ You can log into your *My Benefits Access* page here

<http://benefits.northropgrumman.com>

Accessible via the Internet

# My Benefits Access - Savings Plan Information

**Action Needed** | **Savings** | Health, Insurance... | Retirement Planning | Personal Info

Review Account | Manage Investments | Get Money | Plan Information

## Review Your Savings Account(s)

Northrop Grumman Savings Plan

### Your Account Summary

As of 12-14-2008

Current Balance	\$12,708.69
Vested Balance	\$12,708.69
Your Year-to-Date Rate of Return	2.9%

### Your Account Activity

01-01-2008 to 12-14-2008

**Redisplay**

(You can enter a date range between 01-01-2007 and 12-14-2008.)

Opening Balance on 01-01-2008	\$0.00
<b>Account Activity</b>	+\$12,708.69
<b>Closing Balance on 12-14-2008</b>	<b>\$12,708.69</b>

### Did You Know?

**The asset allocation you choose is key to your account's performance.** Financial experts say you should consider your long-term savings goals and your tolerance for risk when you choose an asset allocation.

#### Your Current Asset Allocation

Bond	9%
Lifestyle/Premix	3%
Large U.S. Equity	24%
Small U.S. Equity	59%
Emerging Markets	5%
<b>Total</b>	<b>100%</b>

#### Actions you can take:

- Estimate Retirement Income to see if you're on track to meet your retirement goal.

**Find It Fast**  
Savings

Account Statement

**What to Do When**

Birth or Adoption

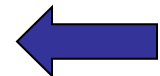
**Related Info**

- Contribution Details
- Your Portfolio Performance

**Answer Center**

- Investor Central@ by Financial Engines@
- Morningstar@ Learning Station

View your account activity (gains and losses)



Change your investments by using the "Find It Fast" drop down menu

# My Benefits Access Health Plan Information

The screenshot shows the 'my benefitsaccess' website interface. At the top, there are links for 'Secure Mailbox', 'Feedback', 'Contact Us', and 'Log Off'. The main navigation bar includes 'Action Needed', 'Savings', 'Health, Insurance...', 'Pension', 'Retirement Planning', and 'Personal Info'. The current page is titled 'Health' and features a sub-navigation for 'Health | Insurance and Other Benefits | Plan Information'. A banner with five apples is displayed under the 'Health' heading. The main content area is divided into three sections: 'Billing Information', 'What's Changing in Your Life?', and 'Your Current Coverage'. The 'Billing Information' section contains a warning about a payment of \$1,349.40 due on 03-01-2009 and a link for 'direct debit'. The 'What's Changing in Your Life?' section lists three items: 'Need to change your coverage?', 'Preview how your benefits could change when you: Get Married or Move', and 'Find a doctor, dentist or hospital'. The 'Your Current Coverage' section lists 'Medical', 'Health Care Spending Account', and 'Medicare Eligible Medical'. On the right side, there are utility boxes for 'Find It Fast', 'What to Do When', and 'Related Info'.

Your billing information



Carrier websites, phone numbers & benefits summaries



# My Benefits Access Pension – Key Dates

NORTHROP GRUMMAN

Secure Mailbox | Feedback | Contact Us | Log Off

**my>>benefitsaccess**

Savings | Savings Excess | Health, Insurance... | **Pension** | Retirement Planning | Personal Info

Key Dates | Payment Management | Plan Information

## Key Dates

### NG Retirement Plan

You're **100% vested** in the plan.

You're Eligible for:	Beginning: <sup>1</sup>
Early Retirement Date	01-01-2005
Normal Retirement Date	08-01-2014
Historical Early Retirement Date	01-01-2005
Historical Normal Retirement Date	08-01-2014

<sup>1</sup>These eligibility dates assume that you remain in your current employment status with Northrop Grumman.

**Did You Know?**

Your choice of retirement date and when to begin receiving benefits affects your annual retirement income. [Estimate Retirement Income](#) to find out what your income will be. You can also [View Your Saved Estimates](#).

Find It Fast  
Pension

Beneficiaries

What to Do When  
Birth or Adoption

View and verify your vesting status and retirement eligibility dates

## My Benefits Access – Personal Profile

Add your personal email address so that you can continue to receive electronic communications.

You will also be able to change your mailing address on this site once you have terminated employment.

### Email Addresses

**Personal Email Address** [Change](#) | [Delete](#)  
 (Preferred Email Address)  
 johndoe@yahoo.com

### Mailing Addresses

**Permanent Address** [Incorrect?](#)  
 Preferred Mailing Address  
 Do Not Mail  
 BEDFORD TX 76021  
 United States of America

**Alternate Address** [Change](#) | [Delete](#)  
 1234 Somewhere st  
 Nowhere GA 30365  
 United States of America

**Incorrect?**  
 Access your Human Resources / Payroll website or contact your local Human Resources representative.

### Phone Numbers

**Home Phone Number** [Incorrect?](#)  
 (847) 555-5000

### Preferred Form of Correspondence

This is where you prefer to receive correspondence about your benefits.

Preferred Mailing Address [Change](#)

## Northrop Grumman Benefits Center (NGBC)

A call center staffed by knowledgeable representatives

Available Monday through Friday  
(excluding holidays)

9:00 a.m. to 6:00 p.m. ET

**Call**  
**1-800-894-4194**

# Questions?