Northern Trust

YOUR SOURCEBOOK

A Guide to The Pension Plan

April 2016

Human Resources

Benefits

INTRODUCTION - PENSION PLAN

Historically speaking, the Pension Plan dates back to 1913, a year when there were maybe a handful of similar plans. Northern Trust, being the visionary it has always been, recognized —and wanted to reward—employees who dedicated their working years to the Company.

Over the years, the Plan has changed in response to times and applicable laws. But what stayed the same is that you can still count on the Pension Plan to do exactly what it was meant to do: provide you with a foundation of retirement income for the rest of your life.

The Pension Plan Sourcebook has been developed as a reference guide for you to learn the important features of the Pension Plan. And, as much as possible, the text has been written in non-technical terms to make it easier for you to read and understand. Why? Because knowing and understanding your benefit plans is the only way you can fully appreciate each plan and its respective values to you. As a participant, you are encouraged to thoroughly review this document.

It is available in paper form or on My Place, Northern Trust's HR site on the intranet, under Retirement. You also may access My Place from any PC through the internet at www.ntrs.com/myplace. You can request a free, updated paper copy at any time by calling the H.R. Service Center.

Keep in mind that while every effort has been made to insure that the Plan features reflected in the Sourcebook are accurate, the full Plan Document prevails in the event of omissions or differences. You can ask to see a copy of the Plan Document by contacting Human Resources Benefits Division.

Now, we invite you to take this opportunity to inform yourself about a benefit plan that can truly make a difference in your life.

PENSION PLAN MILESTONES

Six months of service	Your participation in the Pension Plan begins on the first day of the month following your six month service anniversary.
Three years of service	You become 100% vested in your accrued Pension Plan benefit.
15 years of service	If you become totally disabled on or after 15 years of credited service, Pension Plan benefits continue to accrue.
At age 55	Under the Traditional Formula, you first become eligible for an Early Retirement benefit from the Pension Plan, provided you have at least 15 years of credited service. Under both the Traditional and PEP formulas, if you have 15 or more years of credited service, you are considered a Retiree which makes you eligible for a retirement celebration. If you had 15 or more years of credited service and were at least age 55 on 12/31/11, you will be eligible for company- subsidized retiree medical coverage.
At age 62	Under the Traditional Formula, you are eligible for an unreduced Pension Plan Early Retirement benefit if you have 15 or more years of credited service.
At age 65	Under the Traditional Formula, you have reached Normal Retirement and are entitled to Pension Plan benefits, provided you have at least three years of vesting service. Under both the Traditional and PEP formulas, if you have at least 5 years of vesting service, you are considered a Retiree which makes you eligible for a retirement celebration. If you had 15 or more years of credited service and were at least age 55 on 12/31/11, you will be eligible for company-subsidized retiree medical coverage. If you were a participant in the prior pension plan of an acquired company at the time of acquisition, you may have different Pension service milestones.

PENSION PLAN
WHERE TO GET HELP

Contact	Telephone Number
Retirement Counseling	312-444-4435
Eligibility Inquiries	800-807-0302
Distributions at Termination/Retirement	800-807-0302
Pension Distribution Tax Statement Inquiries	800-807-0302
Deceased Pensioners/Survivors	800-807-0302
Beneficiary Designation Changes	800-807-0302
Qualified Domestic Relations Order (QDRO)	800-807-0302
Benefit Estimates and Projecting Future Benefits	At *Your Benefits Resources*™ on My Place. My Place is Northern Trust's HR site on the intranet. My Place can also be accessed from any PC through the internet at www.ntrs.com/myplace

Retiree Contact	
Address Changes	800-807-0302
Annuity Payments	800-807-0302
Tax Withholding Changes	800-807-0302

PENSION PLAN OVERVIEW

ELIGIBILITY AND PARTICIPATION

Virtually everyone employed by the Northern Trust Company is eligible to join the Pension Plan. That includes everyone in Northern Trust affiliates and subsidiaries who have adopted the Pension Plan, but excludes foreign nationals overseas as well as certain foreign nationals working in the U.S. All we require for participation purposes is that you complete six months of vesting service with Northern Trust. We'll discuss service in more detail.

WHEN PARTICIPATION BEGINS

Participation automatically begins on the first day of the month after you meet the eligibility requirements. There are no enrollment forms to complete.

FUNDING THE PLAN

The Pension Plan is completely funded by Northern Trust. There are no employee contributions required, nor are they allowed.

VESTING: YOUR ENTITLEMENT TO A PENSION

You are entitled to a retirement benefit from the Pension Plan after just three years of service. There is no partial vesting for lesser periods. If you leave Northern Trust before you have completed three years of service, you are not entitled to a benefit from the Pension Plan. The Service section under UNDERSTANDING KEY CONCEPTS AND TERMS describes how service is measured.

BENEFIT FORMULAS

The Pension Plan has two benefit formulas, the Pension Equity Plan (PEP) formula and the Traditional formula. One or both of these formulas will be used to calculate your Pension Plan benefit. The PEP formula was first effective on January 1, 2002. If you were hired on or after June 1, 2001, your pension benefit will be determined under the PEP formula. If you were hired before June 1, 2001, your benefit under the Pension Plan for service prior to January 1, 2002 is calculated under the Traditional formula. In addition, participants who were hired before June 1, 2001 and remained continuously employed through January 1, 2002 were given the opportunity at that time to elect to have their Pension Plan benefit, including benefits for service after December 31, 2001, determined using the Traditional formula.

Effective April 1, 2012, for all Pension Plan participants (including those participants who made elections in 2001 to have their Pension Plan benefit determined using the Traditional formula), benefits for service after March 31, 2012 will be calculated using the PEP formula.

You should refer to THE PENSION EQUITY PLAN (PEP) formula section for information on how the PEP formula works. THE TRADITIONAL PENSION PLAN FORMULA section describes how the Traditional formula works. If your benefit is calculated using both the PEP formula and the Traditional formula, it is important that you read each of these sections carefully. There are some important differences between the two formulas, including how compensation is defined and how survivor benefits are determined.

MODEL YOUR ESTIMATED PENSION BENEFIT

You can model your estimated pension benefit for financial planning and other purposes at *Your Benefits Resources*™ available on-line at My Place, Northern Trust's HR site on the Intranet. You may also access *Your Benefits Resources*™ from any PC through the internet at www.ntrs.com/myplace. *Your Benefits Resources*™ not only provides your accrued Pension benefit but it also allows you to put in assumptions about your pay and service in order to estimate future benefits.

BENEFICIARY DESIGNATIONS

Your beneficiary for the pre-retirement death benefit of the Pension Plan, under both the Traditional and PEP formulas, may be your spouse, your children, a trust, or any other designation of your choosing[*]. You must use the paper or electronic form provided by the Plan to make or change your beneficiary designation. However, if you are legally married and wish to designate someone other than your spouse as your beneficiary, you must provide your spouse's written notarized consent on the paper form provided by the Plan.

If one or more of your designated beneficiary (ies) die, the share your beneficiary (ies) would have received will be paid to the remaining designated beneficiary (ies), if more than one beneficiary survives. If no designated beneficiary survives you, any benefit becoming payable under the Plan by reason of your death shall be payable as described in the Plan.

If you do not designate a beneficiary or if your designation is ineffective for some reason, your beneficiary will be:

- your spouse or, if none,
- your child(ren) in equal amounts or, if none,
- your parents in equal amounts or, if none,
- your brothers and sisters in equal amounts or, if none
- your estate.

Any designation of your spouse as beneficiary becomes null and void on the date a judicial order or decree is entered to dissolve the marriage, except as otherwise provided in a Qualified Domestic Relations Order (QDRO). Whenever changes occur in your life or personal financial affairs, it's a good idea to consider whether corresponding changes are appropriate to your Pension beneficiary designations.

IF YOU ARE REEMPLOYED BY NORTHERN

If you are reemployed by Northern Trust following a termination of employment, you will have what is known as a "break in service". Upon your return, your past service is generally counted as vesting service and may be counted as credited service to determine your pension benefits. The time you were away may also be counted as vesting service, depending on how long you were gone. Details on reemployment are covered in the "Other Information" sections.

[*] If you terminated or retired prior to January 1, 2002 and deferred receipt of your benefit, your only eligible survivors are your spouse or eligible children.

IF YOU PARTICIPATED IN AN ACQUIRED COMPANY'S PENSION PLAN

If you were a participant in an acquired company's pension plan at the time of acquisition, some eligibility and participation rules may differ from those described in this section. The Benefits Division works with your local management to communicate those differences at the time of acquisition. (See ACQUIRED COMPANY PRIOR PLAN BENEFIT for further details.)

THE PENSION EQUITY PLAN (PEP) FORMULA

PENSION FORMULA CHOICE IN 2001

Effective January 1, 2002, Northern Trust made a change to the Pension Plan and introduced the PEP formula. During 2001, participants who were Northern Trust employees on May 31, 2001 and remained continuously employed through January 1, 2002 were given a choice to either retain the Traditional formula for service for periods after December 31, 2001 or move to the PEP formula.

PEP FORMULA SCHEDULE CHANGE IN 2012

Effective April 1, 2012 as a result of additional Pension Plan changes:

- a revised PEP formula schedule (shown on page 11) applies to service for periods after March 31, 2012 and
- for service after March 31, 2012, the benefits of all Pension Plan participants (including those hired or rehired after May 31, 2001, and those hired before June 1, 2001 who made elections in 2001 to have their Pension Plan benefit determined under the Traditional formula), will be determined under the revised PEP formula schedule.
- *For hires prior to June 1, 2001, all benefits related to service prior to January 1, 2002 are calculated under the Traditional formula regardless of the choice made in 2001, subject to special rules described below in the Section called THE TRADITIONAL PENSION FORMULA relating to the calculation of compensation and the Social Security offset. For hires prior to June 1, 2001 who chose to retain the Traditional formula, all benefits related to service prior to April 1, 2012 are calculated under the Traditional formula, subject to special rules described below in the Section called THE TRADITIONAL PENSION FORMULA relating to the calculation of compensation and the Social Security offset. For those hired or rehired on or after June 1, 2001*[1]*, or who chose in 2001 to be covered by the PEP formula, benefits related to service after December 31, 2001, and prior to April 1, 2012 will be determined under the PEP formula schedule in effect prior to April 1, 2012.*

This section of the Sourcebook describes how your benefit is figured and paid under the PEP formula. It also describes the survivor benefits available under the PEP formula. If your total pension benefit is determined under both the Traditional formula and PEP formula, you should also read the Section called THE TRADITIONAL PENSION PLAN FORMULA. Your total pension benefit and any survivor benefits will be determined by adding together the separate amounts determined under each formula. However, your automatic or optional payment choice will apply to your total benefit. You may not make a separate payment election under each formula.

[1] Certain special rules apply to participants who elected the Traditional formula, terminated employment after December 31, 2001, and were later rehired. SEE OTHER INFORMATION YOU SHOULD KNOW, Reemployment

UNDERSTANDING KEY CONCEPTS AND TERMS

The two main pieces of the PEP formula are service and compensation. Having a clear understanding of these concepts, outlined below, will get you off to a good start in understanding the PEP formula.

SERVICE

Service is especially important because it is used to determine the following:

1. When your Plan participation begins,
2. The value of your benefit, and
3. When you can leave Northern Trust with a Pension benefit.

How service is counted. In general, your service begins on your first day with Northern Trust, ends when your employment does, and includes all your uninterrupted time as an employee in between up to a **maximum of 35 years**. In other words, it includes up to 35 years of your time on Northern Trust's payroll. It may even include time you aren't on the active payroll (during an unpaid leave of absence or a disability, for example). (See OTHER INFORMATION YOU SHOULD KNOW, *Credit For Service During A Leave,* for further details.)

How service is measured. Throughout this section of the Sourcebook, you'll see that service is referred to either as credited service or vesting service. These are the two ways in which the Plan measures your time with Northern Trust, and it uses each measurement for different things. For instance, the amount of your benefit and your eligibility to retire early depend on your credited service, while your participation in the Plan and eligibility for a benefit depend on your vesting service.

Even though the Plan makes a distinction between credited and vesting service, you probably won't have to. For most Northern Trust partners, these two measurements will be the same. However, if you leave Northern Trust and later return, or if you came to Northern Trust through an acquisition, special rules apply. (See OTHER INFORMATION YOU SHOULD KNOW, *Reemployment* for further details.)

COMPENSATION

In addition to service, your compensation figures prominently in determining the amount of your pension, which is why it's important to note that the Plan defines compensation as: the highest annual average of your eligible compensation during the full calendar months in any five consecutive year period that occurs during your credited service. Simply put, that's the average of the 60 completed and consecutive calendar months of credited service in which your total eligible earnings are the highest. We also refer to it as your Highest Average Pay or "HAP". (Please note that special rules apply for purposes of determining HAP under the Traditional formula. These are described in THE TRADITIONAL PENSION FORMULA, *Compensation.*)

What counts as compensation?[2] When the Plan figures your HAP under the PEP formula, it takes into account your base pay (including any before-tax payroll deductions), shift differentials and overtime. The following types and amounts of incentive compensation are taken into account for the periods indicated below:

[2] While you are performing military service, your Plan compensation will include any differential wage payments (as defined in the Internal Revenue Code), but only to the extent that including those payments increases your accrued benefit under the Plan.

- For periods after April 30, 2004, the cash portion of performance-based incentive compensation, if any, (1) under the Northern Partners Incentive Plan (NPIP) as Northern Performance Incentives (NPI) , and (2) under the Management Performance Plan (MPP);

For the period between May 1, 2004 and March 31, 2012, the cash portion of Northern Sales Incentives (NSI) and Northern Technical Incentives (NTI) awarded after April 30, 2004 under NPIP, in an amount for any year up to 50% of your prior year's actual base pay (plus shift differential). The 50% limit (or cap) is determined by looking at the prior year's actual base pay and shift differential earnings. Effective April 1, 2012, total NTI and NSI paid on or after that date are taken into account, without regard to any limit (or cap).

- For periods prior to May 1, 2004, additional rules apply, based on the incentive programs in effect during that time. [3]
- Amounts deferred under the Northern Trust Corporation Deferred Compensation Plan are not taken into account for purposes of calculating your HAP under the PEP formula, but are taken into account for purposes of your benefits under the Supplemental Pension Plan.

Note that subject to limited exceptions,[4] only amounts paid as cash incentive/bonus compensation are taken into account in calculating your HAP. For example, the value of options issued under the broad-based stock option grants is generally <u>not</u> included as Pension Plan compensation.

Internal Revenue Code Restrictions. The Internal Revenue Code requires us to limit the dollar amount the Plan uses in determining your HAP. This limit, which is $255,000 in 2013, is indexed to inflation and adjusted upward in increments of $5,000. If your pension compensation exceeds this limit, you may be entitled to a benefit from the Supplemental Pension Plan. (See How The Internal Revenue Code Limits Pensions for details.)

PROTECTED PRIOR PLAN PROVISIONS

Most of the Pension Plan provisions apply equally to all Northern Trust employees. In some cases, however, longer service employees have certain prior Plan provisions which have been protected. We call these "grandfathered" provisions. Throughout this document protected provisions will be identified

[3] For the period January 1, 2002 through April 30, 2004, performance-based incentive compensation taken into account in determining your HAP under the PEP formula included: the Annual Performance Plan (APP) and the MPP. It also included amounts awarded under the Specialized Incentive Compensation (SIP) and Annual Incentive Plan (AIP) in an amount up to 50% of your prior year's actual base pay (plus shift differential), limited as described above. Other rules with respect to performance-based incentive compensation applied prior to January 1, 2002.

[4] For the period January 1, 2002 through April 30, 2004, options paid in lieu of a cash incentive/bonus under the APP, MPP, SIP, or AIP, are taken into account (in the amount that would have been paid as cash) in the calculation of your HAP under the PEP formula, subject to the 50% cap on amounts paid under the SIP and AIP. These amounts are taken into account when they would have been paid in cash had they not been granted as options (except any such options awarded in February 2002 will count toward Pension as of February 28, 2002). Also, in the case of a participant classified as an FSA Remuneration Code Staff employee by the UK Financial Services Authority (i) performance-based incentive compensation awarded on or after January 1, 2012 as NPI incentives, in the form of an equity award that is 100% vested on date of grant, and any code staff allowance paid to such participant, are taken into account, and (ii) performance-based incentive compensation awarded on or after April 1, 2012 as NPI, NSI or NTI incentives, in the form of an equity award that is 100% vested on date of grant, is taken into account.

for you with a special notation (5G). (See Protected Prior Plan Provisions in the Section called THE TRADITIONAL PENSION FORMULA for more information)

HOW YOUR BENEFIT IS FIGURED

Our Plan is referred to as a "defined benefit" plan. That means your pension is calculated according to a specific formula (or combination of formulas, such as the Traditional formula for service prior to January 1, 2002 or April 1, 2012 and the PEP formulas for after December 31, 2001). The actual amount of your pension will depend on a number of factors, such as your age and how much service you have when you retire, your HAP, and how you elect to take your benefit. But it all starts with the PEP formula.

PEP FORMULA

The PEP formula applies to:

- All hires on or after June 1, 2001 for service from their date of hire through March 31, 2012 (Prior PEP formula schedule) and from April 1, 2012 forward (Current PEP formula schedule),[5] and
- Northern Trust employees hired before June 1, 2001 who made (or were deemed to make) a valid PEP election during the Pension choice period in 2001 for service from January 1, 2002 through March 31, 2012 (Prior PEP formula schedule) and from April 1, 2012 forward (Current PEP formula schedule).

The PEP formula takes into account your credited service up to 35 years and your HAP. As noted above as of April 1, 2012, the PEP formula schedule was revised. The table below shows the PEP formula schedule applicable for service beginning April 1, 2012 (i.e., Current PEP formula schedule) and prior to April 1, 2012 (i.e., Prior PEP formula schedule). Following the table is a dollars and cents example.

PEP Formula Annual Benefit Accrual Schedules

Years of Service	Post-March 31, 2012 (Current PEP Formula)	Pre-April 1, 2012 (Prior PEP Formula)
1 – 5	4% x HAP*	4% x HAP*
6 – 10	4%	5%
11 – 15	5%	6%
16 – 20	6%	7%
21 – 25	7%	8%
26 – 30	8%	9%
31 – 35	9%	10%
over 35	0%	0%

*HAP = The annual average of the highest consecutive five years eligible pay.

G Grandfathering applies to eligible participants who will receive the greater value of this formula or the Minimum Benefit Comparison Formula.

5 Special rules may apply to certain rehired individuals. See OTHER INFORMATION YOU SHOULD KNOW, *Reemployment*.

Under the Current PEP formula:

- If you are hired at Northern Trust beginning on or after April 1, 2012 and work for 15 years, your pension benefit would be 65% of HAP pay i.e., (4% x 10 years) + (5% x 5 years) = 65% of HAP
- If you are hired at Northern Trust beginning on or after April 1, 2012 and work for 35 years, your pension benefit would be 215% of HAP.
- In both of these examples, the amount of the lump sum benefit when you leave is expressed as the sum of the annual accruals.

For participants hired before June 1, 2001:

- If you were hired before June 1, 2001, and elected or were deemed to elect to have the PEP formula apply for your service January 1, 2002 and forward, your percentage on the Prior PEP formula schedule starting on January 1, 2002 and on the Current PEP formula schedule starting on April 1, 2012 is based on your total years of credited service, including years prior to January 1, 2002.
- If you were hired before June 1, 2001, were continuously employed through January 1, 2002, and elected to have the Traditional formula continue to apply for your service January 1, 2002 and forward, your percentage on the Current PEP formula schedule starting on April 1, 2012 will be based on your total years of credited service, including years prior to April 1, 2012.
- For participants hired after May 31, 2001 and prior to April 1, 2012, your percentage on the Current PEP formula schedule starting on April 1, 2012 is based on your total years of credited service, including years prior to April 1, 2012.

EXAMPLES – HOW THE PEP FORMULA WORKS…

Example 1: All Service under Current PEP Formula Schedule

Suppose you plan to leave with 15 years of credited service under the PEP formula and HAP of $35,000. Apply the PEP formula as shown below to determine your immediate lump sum Pension benefit:

Step 1	4% x 10 years	=	40%
	PLUS		
Step 2	5% X 5 years	=	25%
Step 3	Total	=	65% of HAP ($35,000) = $22,750

In this example, you would receive an immediate lump sum benefit of $22,750, payable in the manner you elect. (See PAYMENT OPTIONS.)

Example 2: Service under both Current PEP and Prior PEP Formula Schedules

Suppose you plan to leave with 20 years of credited service (with 10 years completed as of March 31, 2012 under the Prior PEP formula schedule). Your HAP is $50,000. Apply the PEP formula as shown below to determine your immediate lump sum pension benefit:

Step 1	4% x 5 years (Prior PEP Formula schedule)	=	20%
	PLUS		
Step 2	5% X 5 years (Prior PEP Formula schedule)	=	25%
	PLUS		
Step 3	5% X 5 years (Current PEP Formula schedule)	=	25%
	PLUS		
Step 4	6% X 5 years (Current PEP Formula schedule)	=	30%
Step 5	Total	=	100% of HAP ($50,000) = $50,000

In this example, you would receive an immediate lump sum benefit of $50,000, payable in the manner you elect. (See PAYMENT OPTIONS.)

Example 3: Service under Traditional and PEP Formulas (Both the Current and Prior PEP Formula Schedules)

Suppose you leave Northern Trust with 25 years of credited service (with 7 years completed as of December 31, 2001 under the Traditional formula and 10.25 years completed as of March 31, 2012 under the Prior PEP formula schedule, and 7.75 years completed under the Current PEP formula schedule). Your HAP is $50,000.

You chose the PEP formula for your pension accruals beginning January 1, 2002. Here's how your total benefit is calculated upon termination:

Years of Credited Service beginning 4/1/12 x Annual Benefit Accrual: (Current formula)	For years 17.25 – 20: For years 21 – 25:	2.75 years x 6% 5 years x 7%	= =	16.5% 35%
Years of Credited Service beginning 1/1/02 x Annual Benefit Accrual: (Prior formula)	For years 8– 10: For years 11 – 15: For years 16 – 17.25:	3 years x 5% 5 years x 6% 2.25 years x 7%	= = =	15% 30% 15.75%
Sum of Annual Benefit Accruals			=	112.25%
Sum of Annual Benefit Accruals x HAP:	112.25% x $50,000 =			

Your Immediate Lump Sum Benefit under PEP for service beginning 1/1/02	$56,125
	+
Your Immediate Lump Sum Benefit under the Traditional formula for service prior to 1/1/02:	$68,350[6]
	=
Your Total Lump Sum Benefit at Termination:	$124,475

Example 4: Service under the Traditional and PEP Formulas (Current PEP Formula Schedule)

Suppose you leave Northern Trust with 30 years of credited service (with 17.25 years completed as of March 31, 2012 under the Traditional formula, and 12.75 years completed under the Current PEP formula schedule). Your HAP is $50,000.

You chose the Traditional formula for your pension accruals beginning January 1, 2002. Here's how your total benefit is calculated upon termination:

Years of Credited Service beginning 4/1/12 x Annual Benefit Accrual: (Current formula)	For years 17.25 – 20: For years 21 – 25: For years 26 – 30:	2.75 years x 6% 5 years x 7% 5 years x 8%	= = =	16.5% 35% 40%
Sum of Annual Benefit Accruals			=	91.5%
Sum of Annual Benefit Accruals x HAP:	91.5% x $50,000 =			
Your Immediate Lump Sum Benefit under PEP for service beginning 1/1/02	$45,750			
	+			
Your Immediate Lump Sum Benefit under the Traditional formula for service prior to 1/1/02:	$168,450[6]			
	=			
Your Total Lump Sum Benefit at Termination:	$214,200			

WHEN YOU CAN RETIRE...AND WHAT HAPPENS THEN

When you retire is pretty much up to you once you are vested in a pension benefit. The Pension Plan offers you several retirement dates from which to choose, as well as a say in how your benefit is paid.

[6] As described in the Section on the TRADITIONAL PENSION FORMULA**,** a lump sum distribution of your Traditional formula benefit is calculated by converting the stream of payments you would otherwise receive in the form of an annuity to a lump sum, using certain interest rate and mortality assumptions. The interest rates assumed for this example are the IRS minimum lump sum segment rate for March 2013 (0.97% for payments in the first 5 years, 3.82% for payments in the next 15 years, and 5.11% for payments in year 20 and beyond). The amount of your lump sum in this example could be larger or smaller depending on the interest rate used.

NORMAL RETIREMENT

Retiring at age 65 is considered a normal retirement.   The only exception to this rule applies to those who joined Northern Trust after age 60, in which case normal retirement is the earlier of completion of five years of vesting service or five years of participation.

What happens then. The way your benefit is normally paid depends on your marital status when you begin your benefits. If you are not married when your benefit payments begin, your pension will be paid as a single life annuity (or its equivalent). As its name implies, a single life annuity is paid over one lifetime: yours. You receive a fixed benefit each month for as long as you live. Payments stop when you die. The monthly amount is determined by converting the PEP formula lump sum to an equivalent annuity.

If you are married when payments begin, your benefit will be paid as a 50% joint and survivor benefit (or its equivalent). A joint and survivor benefit pays you a reduced annuity benefit for your lifetime. When you die, your spouse receives one-half of your annuity benefit for the rest of his or her life. A joint and survivor benefit pays smaller monthly benefits than you would normally get under a single life annuity. That's because payments are expected to be made over two lifetimes—yours and your spouse's—instead of yours alone. But reducing your monthly benefit lets you continue half of it to your surviving spouse if you die.

NORMAL RETIREMENT PAYMENT OPTIONS

The following automatic and optional forms of payment may be available to you at normal retirement. See PAYMENT OPTIONS for more details on how each works and how you may elect one.

- 50% joint and survivor annuity (this is the automatic form of payment for married employees)
- Single life annuity (this is the automatic form of payment for single employees; an option for married employees)
- Lump sum (this is an optional form of payment for both single and married employees)
- 75% joint and survivor annuity (this is an optional form of payment for married employees)
- 100% joint and survivor annuity (this is an optional form of payment for married employees who retire with 15 or more years of credited service). You may only elect this optional form of payment if a part of your pension benefit is determined under the Traditional formula.

EARLY RETIREMENT

Retiring after you reach age 55 (but before age 65) with at least 15 years of credited service is considered early retirement under the Pension Plan.

What happens then. You can choose to start your benefit immediately or defer commencement to any time up to age 65. The automatic and optional forms of benefit payment available to you at normal retirement are also available to you at early retirement. (See Normal Retirement Payment Options, above.) In addition, you may be able to elect a level income option form of payment. You may only elect this optional form of payment if at least a part of your pension benefit is determined under the Traditional formula. (See *LEVEL INCOME* for additional information on the level income option).

Note that if you defer commencement of your benefit and later elect a lump sum payment, the amount of the lump sum may be more or less than the lump sum you would have received if you had elected an immediate lump sum.

POSTPONED RETIREMENT

You may postpone your retirement past age 65. In that case, you continue to earn credited service (up to a maximum of 35 years).

What happens then. The automatic and optional forms of benefit payment available to you at normal retirement are also available to you at postponed retirement. (See NORMAL RETIREMENT PAYMENT OPTIONS.)

Suspension of Benefits. Under the terms of the Plan, you are not permitted to commence your pension benefit at any time prior to the date you retire or terminate employment. Northern Trust is required by Department of Labor regulations to notify you that when you postpone your retirement past your normal retirement date, the Plan will permanently withhold your monthly pension benefits for each month in which you work eight days or more. Once you retire, whether you elect to receive your benefits in the form of an annuity or a lump sum distribution, the amount will not include the benefits that have been permanently withheld. The Pension Plan terms this withholding a "Suspension of Benefits." A Suspension of Benefits means that by remaining actively employed beyond your normal retirement date, you have chosen to defer the start of your Pension benefits and to forgo the payments that would otherwise have been payable with respect to the period you are working. By continuing active employment, you continue to accrue additional benefits under the Plan based on your service and compensation after age 65 (up to a maximum of 35 years). However, it is possible that the value of any additional accruals may not exceed the value of the pension payments you are foregoing by not retiring and commencing your benefit on your normal retirement date.

To make you fully aware of this provision of the Plan in advance of any postponed retirement, you will be notified in writing of the Suspension of Benefits provision early in the month prior to the month you will reach your normal retirement date. For example, if your normal retirement date is in November, you would receive your Suspension of Benefits notice in early October.

VESTED TERMINEE BENEFIT

If you leave Northern Trust for any reason after you have three or more years of vesting service, but before you are retirement eligible (age 55 with 15 or more years of credited service, or your normal retirement age), you will be entitled to a vested terminee benefit.

What happens then. Upon your termination you can choose to start your benefit immediately, or you can defer commencement of your benefit to any date up to the date you attain age 65. The automatic and optional forms of benefit payment available to you at normal retirement are described below.

Example. Suppose you were hired at age 25 and you leave Northern Trust with 16 years of service under PEP. While employed, your HAP was $35,000. Using the Current PEP formula schedule, here's what the calculation produces:

Step 1	10 years x 4% 5 years x 5% 1 year x 6%	= = = =	40% 25% 6%
Step 2	Total the Annual Benefit Accrual		71%
Step 3	Multiply Total Benefit Accrual by HAP (71% x $35,000)	=	$24,850 Immediate lump sum

You are eligible to either commence your benefit immediately (monthly annuity or a lump sum), or you can defer commencement of your entire benefit to any date up to the date you attain age 65. If you commence immediately, your lump sum will be converted to one of the immediate annuities described in the next section (PAYMENT OPTIONS) unless you elect a distribution of your lump sum benefit.

If you defer commencement, the $24,850 will be converted to a monthly single life annuity beginning at age 65 using the Plan's actuarial factors. When you later decide to begin your benefits, the monthly annuity amount will be actuarially adjusted based on the payment form you elect and the date you elect to commence payment. Please note that if you later elect a lump sum payment, it may be more or less than $24,850, depending on the lump sum interest rates when you elect your payment. (See Converting Annuities and Lump Sums for a discussion of how interest rates are determined.)

VESTED TERMINEE BENEFIT PAYMENT OPTIONS

Here are the automatic and optional forms of payment available to you as a vested terminee if the total value of your benefit at termination of employment is greater than $1,000. If the value is $1,000 or less, your payment will automatically be paid as an immediate lump sum. See the next section, PAYMENT OPTIONS, for more details on how each works and how you may elect one.

- Lump sum (this is an optional form of payment for both single and married employees)
- 50% joint and survivor annuity[7] (this is the automatic form of payment for married employees)
- 75% joint and survivor annuity[7] (this is an optional form of payment for married employees)
- Single life annuity (this is the automatic form of payment for single employees; an option for married employees)

PAYMENT OPTIONS

Since different people have different needs and everyone likes to have a choice, various payment options are built into our Pension Plan. This section outlines what those options are. As you review your payment options, keep in mind that if you are married and want to elect an optional form of payment, you are legally required to provide your spouse's written, notarized consent on the form provided by the Plan. Remember, your payment election will apply to your total pension benefit. You cannot make separate elections for your PEP formula and Traditional formula benefits.

Forms of Pension Payment At-A-Glance

[7] This is available by actuarially reducing your single life annuity

TYPE OF RETIREMENT	METHODS OF PAYMENT	
	Automatic	***Optional***
Normal or Postponed	• Single employees: single life annuity • Married employees: 50% joint and survivor annuity	• lump sum • lump sum • 100% joint and survivor annuity* • 75% joint and survivor annuity • single life annuity
Early	• Single employees: single life annuity • Married employees: 50% joint and survivor annuity	• lump sum • level income** • lump sum • level income** • 100% joint and survivor annuity* • 75% joint and survivor annuity • single life annuity
Vested Terminee	• Single employees: single life annuity • Married employees: 50% joint and survivor annuity	• lump sum • lump sum • 75% joint and survivor annuity • single life annuity

*Available to retirement eligible employees who are married with 15 or more years of credited service and any service accruals under the Traditional formula.
** Available to employees who are eligible for Early Retirement with any service accruals under the Traditional formula and who commence the benefit prior to becoming eligible for a Social Security benefit.

SINGLE LIFE ANNUITY

A single life annuity is the automatic form of payment for unmarried employees, but it is also available as an option to married employees. If you elect a single life annuity, you would get the full monthly benefit determined by the Plan's formula and actuarial factors. Single life annuity payments are made to you for your life. Payments end when you die. (See *When You Can Retire... And What Happens Then*.)

50% JOINT AND SURVIVOR ANNUITY

The 50% joint and survivor annuity is the automatic form of payment for married employees. Under this form of annuity you would receive reduced monthly payments for your lifetime. After your death, your surviving spouse would receive 50% of that monthly amount for the rest of his or her life. Your spouse at the time your joint and survivor annuity commences is the only qualified survivor for this benefit.

75% JOINT AND SURVIVOR ANNUITY

The 75% joint and survivor annuity is an optional form of payment for married employees. Under this form of annuity, you would receive reduced monthly payments for your lifetime. After your death, your surviving spouse would receive 75% of that monthly amount for the rest of his or her life. Your spouse at the time your joint and survivor annuity commences is the only qualified survivor for this benefit.

100% JOINT AND SURVIVOR ANNUITY

This option is available under Normal, Early, or Postponed retirements and to certain acquired company prior plan participants. You may elect the 100% joint and survivor annuity only if you have 15 or more years of credited service, you are married when you retire, and a portion of your pension benefit is calculated under the Traditional formula. You would receive reduced monthly payments for life. After your death, your surviving spouse would receive the same monthly benefit you received for the rest of his or her life. Your monthly payments are reduced to account for the extra income your spouse is expected to receive. You may only elect a joint and survivor annuity with your spouse as the survivor.

Example. To illustrate how this works, we'll look at two employees, Tom and Joan. To keep things simple, we'll ignore discount rates and the time value of money, but make the following assumptions:

- Both Tom and Joan have identical service and salary under the Pension Plan and retire at the same age with a pension of $1,000 a month beginning at age 65.
- Tom is married and his wife is younger than he is.
- Joan is single.
- Both employees are expected to receive benefits for 15 years, which means they would each receive 180 monthly payments. Tom's wife is expected to receive payments for 10 years following Tom's death (that is, she will receive 120 monthly payments).

<u>Joan's Pension:</u>

The total payments under Joan's pension are $180,000:

$1,000 a month x 180 months = $180,000

<u>Tom's Pension:</u>

Tom and his wife are entitled to a reduced 50% joint and survivor annuity. The total of the payments they both receive must add up to $180,000. It works out like this:

Tom:	$750/month x 180 months	=	$135,000
Tom's surviving spouse:	$375/month x 120 months	=	$45,000
Total Value of Tom's Pension		=	$180,000[G]

If Tom and his wife elect the 75% joint and survivor annuity, Tom's monthly benefit will be further reduced:

Tom:	$667/month x 180 months	=	$120,000
Tom's surviving spouse:	$500/month x 120 months	=	$60,000

[G] Grandfathering applies to eligible participants who will receive the greater value of this formula or the Minimum Benefit Comparison Formula.

Total Value of Tom's Pension		=	$180,000[G]

If Tom and his wife elect the 100% joint and survivor annuity, Tom's monthly benefit will be further reduced:

Tom:	$600/month x 180 months	=	$108,000
Tom's surviving spouse:	$600/month x 120 months	=	$72,000
Total Value of Tom's Pension		=	$180,000[G]

As you can see, Tom and Joan each would be entitled to a $180,000 pension. But because Tom opts to provide his wife with a continuing income after his death, he's willing to "trade off" part of his benefit. How much Tom actually gets depends on how much of his benefit is continued to his wife. For example, he'd get $750 a month if he chose to have 50% of his benefit continue to his wife; he'd get $667 a month if she were to receive 75% of his benefit and he'd get $600 a month if she were to receive 100% of his benefit. Also, the total amounts that Joan, Tom and Tom's wife actually receive may be more or less than $180,000 depending on how long each actually lives. Remember, this is a simplified example. Actual amounts would also vary because of applicable discount rates and other actuarial factors.

LEVEL INCOME

This form of payment is an option for early retirees with 15 or more years of credited service who have any portion of their benefit calculated under the Traditional formula and who retire before their Social Security retirement benefits begin. It provides both survivor protection and increased pension payments until Social Security benefits start. Once your Social Security benefits begin, your monthly Pension Plan benefit is reduced. Your pension before you receive Social Security would be about the same as the total of your pension and Social Security benefits, hence the "level income" throughout retirement.

If you die while receiving payments under the level income option (before or after your Social Security benefits begin) and you are married on your date of death to the person to whom you were married on the date you commence to your Pension Plan benefit, your surviving spouse would receive 50% of the pension you would have been entitled to under the 50% joint and survivor annuity at your early retirement date. This survivor benefit is actuarially reduced.[G]

LUMP SUM

Instead of monthly payments, you may elect to have your pension paid in one cash payment, called a lump sum. If the total value of your benefit at retirement or termination of employment is $1,000 or less, your benefit will automatically be paid as an immediate lump sum. For purposes of determining if the value of your benefit is greater than $1,000, your PEP formula benefit will be added to your Traditional formula benefit, if any. The payment will be of the same actuarial value as the pension you otherwise would automatically receive.

[G] Grandfathering applies to eligible participants who will receive the greater value of this formula or the Minimum Benefit Comparison Formula.

If you elect an immediate lump sum payment under the Pension Plan, then your lump sum under the PEP formula will equal your PEP benefit amount. However, if you defer receipt of your pension payments, your PEP benefit amount will be converted to a monthly single life annuity amount beginning at age 65 using the Plan's actuarial factors. If you later elect a lump sum, the monthly annuity amount will be converted to a lump sum based on the lump sum interest rates in effect when you elect your lump sum payment. Because interest rates fluctuate, your deferred lump sum payment may be more or less than the amount you would have received if you had elected an immediate lump sum payment.

CONVERTING ANNUITIES AND LUMP SUMS

When converting your monthly payments to a lump sum, the applicable interest rates designated by the IRS that are published in the first month of each quarter (for the prior month) establish the discount rates that apply for lump sum payments with a Benefit Commencement Date (Annuity Start Date) in the following quarter. For example, if you defer payment, initiate your pension benefits in December and elect to commence your lump sum benefit on the following January 1, your lump sum would be based on the prior year's September's rates, provided you timely file your election forms and any other required documentation, such as a birth certificate.

The following chart illustrates the timing of the discount rates which apply to both retirees and vested terminees.

Lump Sum Conversions		
YOUR BENEFIT COMMENCEMENT DATE	APPLICABLE INTEREST RATES	DATE INTEREST RATES PUBLISHED
Jan 1/Feb 1/Mar 1	September (prior year)	October (prior year)
Apr 1/May 1/June 1	December (prior year)	January (current year)
July 1/Aug 1/Sept 1	March (current year)	April (current year)
Oct 1/Nov 1/Dec 1	June (current year)	July (current year)

CONVERTING ANNUITIES AND LUMP SUMS FOR BENEFIT DEFERRALS

The Pension Protection Act of 2006 (PPA) was signed into law on August 17, 2006 and contains changes to the rules governing plans like Northern Trust's Pension Plan. PPA required a change to the interest rates used to calculate lump sum payments under the Traditional Pension Plan formula and deferred benefits under the Pension Equity Plan formula effective January 1, 2008.

Beginning in 2008, when determining the lump sum, the calculation is based on an annuity stream of payments you are predicted to receive for your lifetime. A component of the calculation is the *probability* that you will survive to collect each payment. Further, each future payment is *discounted* with interest back to the payment date of the lump sum. The interest rate used to discount each future payment back to the payment date is based on up to one, two or three interest rates on the Corporate Bond Yield Curve. Depending on your age at the time of payment and the projection of how many years you would receive annuity payments for, your calculation may be dependent on one, two or all three of the Corporate Bond Segment Rates. The Corporate Bond Yield Curve is divided into three segments as follows:

- First Segment: This interest rate applies to future payments you are projected to receive 1 to 5 years after your Benefit Commencement Date.

- Second Segment: This interest rate applies to future payments you are projected to receive beginning with the 5th year through the 20th year after your Benefit Commencement Date.
- Third Segment: This interest rate applies to future payments you are projected to receive beginning 20 years after your Benefit Commencement Date.

Under the Pension Equity Plan Formula, the lump sum value of the benefit is converted into a Single Life Annuity using the present value factor determined by the methodology described above. From the Single Life Annuity form of payment, the other available payment options are calculated based on the Plan's definition of actuarial equivalence.

The Plan's mortality table and Corporate Bond Segment Rates are used to convert a Traditional formula annuity to a lump sum or a PEP formula lump sum to an annuity. The Benefit Commencement Date (technically referred to as the Annuity Start Date) determines the timing of the segment rates applied. We use a two quarter look back from the Benefit Commencement Date to determine the segment rates. The segment rates are then valid for a payment within 3 months of the Benefit Commencement Date. If payment is not made within a 3-month timeframe, a new Benefit Commencement Date and corresponding segment rates would be assigned.

The following chart provides an example of a payment made upon termination or retirement.

PENSION							
If Your Termination/Retirement Date Is:	You Initiate Pension Benefits By End of:	Your Benefit Commence-ment Date (BCD) Will Be:	You Will Receive this Lump Sum Segment Rates:	Payment Timing			
				If You Return Forms By:	You'll Be Paid On:	If You Return Forms By:	You'll Be Paid On:
03/01-03/15	Feb	4/1	December. (prior year) Corporate Bond Segment Rates	3/10	4/1	4/10	5/1
03/16-03/31		4/1		4/10	5/1	5/10	6/1
04/01-04/15	Mar	5/1		4/10	5/1	5/10	6/1
04/16-04/30		5/1		5/10	6/1	6/10	7/1
05/01-05/15	Apr	6/1		5/10	6/1	6/10	7/1
05/16-05/31		6/1		6/10	7/1	7/10	8/1

If you do not initiate Pension benefits by the date shown in a particular row, the deadline will move to the next row that applies to the Benefit Commencement Date you selected and you can follow the chart to the right from that point. (Example: If you terminate on March 18th and you initiate Pension benefits in April, your Benefit Commencement Date will be June 1st and you should follow that line across the chart.)

Example: To illustrate how the calculation works for a participant who does not take an immediate distribution, let's look at an example.

Assume that Tom leaves Northern Trust in May 2013 when he is 52 years old. His PEP benefit amount is $100,000 and he elects to defer his payment. For purposes of this example, we will assume that Tom does not have any Traditional formula benefit.

Tom's $100,000 PEP benefit amount would be converted as of June 1st to an annuity beginning at normal retirement age, using the Plan's mortality table and the Corporate Bond Segment Rates in effect for December of the prior year. In this example we will assume that the prior year's December segment rates were 2.07%, 4.45% and 5.18% . Using December's segment rates, Tom's monthly annuity beginning at normal retirement would be $1,364.00.

Tom can wait until age 65 to receive this benefit or he can request payment as of the first day of any month before age 65 by initiating his pension benefits and completing the election forms on a timely basis. Tom can initiate his benefits and request the appropriate election forms within 90 days before commencing his payment.

Assume, for example, Tom decides to take his benefits with a Benefit Commencement Date of June 1, 2016, when he turns 55. He should initiate his pension benefits and request benefit election forms in April 2016. If Tom timely elects a lump sum payment, the $1,364.00 month annuity at age 65 will be converted to a lump sum as of June 1, 2016 using the applicable segment rates for December 2015. If Tom returned his forms by May 10, 2016 he would receive his payment on June 1, 2016.

When payments are made. If you retire or terminate from Northern Trust and initiate your pension benefits for immediate payment in accordance with the above chart, your benefit will be calculated as of the first day of the month following your retirement or termination. The earliest you can receive your benefit payment is by the first of the month following your retirement or termination assuming all paperwork is completed and returned as indicated in the above chart.

If you decide to defer receipt of your benefit, or do not meet the deadline for your earliest payment opportunity, you may request payment at any time after, up to the mandatory distribution age of 65. You should initiate your pension benefits and request the appropriate election-materials through the HR Service Center at 800-807-0302.

Thinking It All Through

Keep in mind that Pension Plan distributions will have some tax implications. (See OTHER INFORMATION YOU SHOULD KNOW, Taxes Upon Distribution, for further details.) We recommend that you discuss the pros and cons of your benefit payment options with your tax advisor.

SURVIVOR PROTECTION

The primary purpose of the Pension Plan is to provide you with retirement income. But the Plan also provides—and pays for—a measure of financial protection for your spouse or other beneficiaries after your death. The extent and amount of survivor protection depends on whether you die before or after your pension payments begin.

Spousal survivor protection is provided automatically. It may not be waived unless you elect a lump sum pension or single life annuity, with your spouse's notarized consent on the form provided by the Plan.

SURVIVOR PROTECTION IF DEATH OCCURS BEFORE PENSION PAYMENTS COMMENCE

This form of survivor protection is payable under one of the following circumstances:[8]

- If you die while employed by Northern Trust after you are vested; or

[8] If you die while performing qualified military service (as defined in the Internal Revenue Code), your vested interest in the Plan and any survivor benefits will be determined as if you had resumed employment immediately following your qualified military service and had died the next day.

- If you die after leaving Northern Trust with a deferred retirement or vested terminee pension (and before payments commence).

If your death occurs under these circumstances, your survivor would be entitled to your entire PEP benefit amount. This amount will be paid to your surviving spouse[9] in an equivalent monthly single life annuity, for your spouse's life, unless your spouse elects to receive this amount in a lump sum. If you are not survived by a spouse, or your spouse consented to another beneficiary before your death (by notarized signature on the form provided by the Plan), your beneficiary will receive your PEP benefit amount in a lump sum.

Remember, if any part of your benefit is determined under the Traditional formula, your surviving spouse or other beneficiary may also receive additional survivor benefits as described on page 44. Also, your Pension Plan beneficiary designation applies to your benefit under both the Traditional and PEP formulas.

When Payments Begin. Payment will be effective as of the first day of the month following the month of your death. If timely notification is received, the check is processed one month after the effective date. For example, if you die on August 31, your survivor earns a benefit effective September 1, but the check is processed on October 1 (retroactive to September 1 for an annuity) assuming that all the completed paperwork is returned to the HR Service Center. However, if your survivor benefit is being paid to your surviving spouse, your surviving spouse may elect to defer payment up to the date you would have reached normal retirement age.

SURVIVOR PROTECTION IF DEATH OCCURS AFTER PENSION PAYMENTS COMMENCE

If you die after pension payments have commenced, a survivor benefit will be payable to your surviving spouse only if you elected the 50%, 75% or 100% joint and survivor annuity or the level income option form of pension at the time your payments commenced. In order to receive this benefit, your surviving spouse must be the person to whom you were married on the date you commenced your benefit.

[9] By "your spouse" for deaths before pension commencement, we mean the person to whom you are married when you die.

THE TRADITIONAL PENSION FORMULA

Effective April 1, 2012, as a result of a Pension Plan change, the PEP Formula applies to all participants in the Pension Plan, which is described in the section called THE PENSION EQUITY PLAN (PEP) FORMULA. All participants will earn Pension Plan benefits under the PEP formula for periods after March 31, 2012.

Previously effective January 1, 2002, Northern Trust made a change to the Pension Plan and introduced the PEP formula. During 2001, Northern Trust employees hired prior to June 1, 2001 were given a choice to either retain the Traditional formula for service after December 2001 or move to the PEP formula for such service. For those who elected the PEP formula for service after December 31, 2001, the details of the PEP formula are outlined in the Section called THE PENSION EQUITY PLAN (PEP) FORMULA. In addition, for hires prior to June 1, 2001, all benefits for service prior to January 1, 2002 are calculated under the Traditional formula.

The Traditional formula applies to:

- employment service prior to January 1, 2002 for employees hired prior to June 1, 2001 and,
- employment service prior to April 1, 2012 for employees hired prior to June 1, 2001, who chose to retain the Traditional formula.[1]

This section of the Sourcebook describes how your benefit is figured and paid under the Traditional formula. It also describes the survivor benefits available under the Traditional formula. If your total pension benefit is determined under both the Traditional formula and PEP formula, you should also read the section called THE PENSION EQUITY PLAN (PEP) FORMULA. Your total pension benefit and any survivor benefits will be determined by adding together the separate amounts determined under each formula. However, your automatic or optional payment choice will apply to your total benefit. You may not make a separate payment election under each formula.

UNDERSTANDING KEY CONCEPTS AND TERMS

The three main pieces of the Traditional formula are service, compensation, and the Social Security offset. Having a clear understanding of these concepts, outlined below, will get you off to a good start in understanding the Traditional formula.

SERVICE

Service is especially important because it is used to determine the following:

1. When your Plan participation begins,
2. When you become entitled to benefits, and
3. When you can retire.

Along with pay, service also figures into the value of your benefit.

[1] Certain special rules apply to participants who elected the Traditional formula, terminated employment after December 31, 2001 and were later rehired. SEE OTHER INFORMATION YOU SHOULD KNOW, *Reemployment*

How service is counted. In general, your service begins on your first day with Northern Trust, ends when your employment does, and includes all your uninterrupted time as an employee in between up to a maximum of 35 years. In other words, it includes up to 35 years of your time on Northern Trust's payroll. It may even include time you aren't on the active payroll (during an unpaid leave of absence or a disability, for example). However, for the purpose of calculating your benefit under the Traditional formula, only service through March 31, 2012 is counted. Service after March 31, 2012 is still includable for accruals under the PEP formula (up to 35 years for the combination of your service under the Traditional and PEP formulas), and for determining when you become entitled to benefits or when you can retire, (See OTHER INFORMATION YOU SHOULD KNOW*, Credit For Service During A Leave*, for further details.)

How service is measured. Throughout this section of the Sourcebook, you'll see that service is referred to either as credited service or vesting service. These are the two ways in which the Plan measures your time with Northern Trust, and it uses each measurement for different things. For instance, the amount of your benefit and your eligibility to retire early depend on your credited service, while your participation in the Plan and eligibility for a benefit depend on your vesting service.

Even though the Plan makes a distinction between credited and vesting service, you probably won't have to. For most Northern Trust partners, these two measurements will be the same. However, if you leave Northern Trust and later return, or if you came to Northern Trust through an acquisition, special rules apply. (See OTHER INFORMATION YOU SHOULD KNOW*, Reemployment*, for further details.)

COMPENSATION

In addition to service, your compensation figures prominently in determining the amount of your pension, which is why it's important to note the way in which the Plan defines compensation: For purposes of the Traditional formula, compensation is calculated similar to compensation under the PEP, but with some differences: first, compensation is the highest annual average of your eligible compensation during the full calendar months in any five consecutive year period that occurs during your credited service prior to April 1, 2012. Simply put, that's the average of the 60 completed and consecutive calendar months of your credited service prior to April 1, 2012 in which your total eligible earnings are the highest. We also refer to it as your Highest Average Pay, or "HAP". This amount will then be increased by a fixed rate of 1.5% per year for the remainder of your employment with Northern Trust after March 31, 2012 while you continue to earn credited service (even in excess of 35 years), and the total adjusted amount will be used as your compensation for purposes of the Traditional formula.

What counts as compensation?[2] When the Plan figures HAP under the Traditional formula, it takes into account your pre-April 1, 2012 base pay (including any before-tax payroll deductions), shift differentials, and overtime. For periods after April 30, 2004 and prior to April 1, 2012, the Plan takes into account the cash portion, of performance-based incentive compensation, if any (1) paid as Northern Performance Incentives (NPI) under the Northern Partners Incentive Plan (NPIP) and (2) under the

[2] While you are performing military service, your Plan compensation will include any differential wage payments (as defined in the Internal Revenue Code), but only to the extent that including those payments increases your accrued benefit under the Plan.

Management Performance Plan (MPP).[3] Note that subject to certain limited exceptions,[4] only amounts in cash paid as incentive/bonus compensation count towards your Pension. For example, value of options issued under the broad-based stock option grants is not included as Pension Plan compensation.

Amounts deferred under the Northern Trust Corporation Deferred Compensation Plan are not taken into account for purposes of figuring your HAP under the Traditional formula, but are taken into account for purposes of your benefits under the Supplemental Pension Plan.

Internal Revenue Code Restrictions. The Internal Revenue Code requires us to limit the dollar amount the Plan uses in determining your HAP. This limit, which is $255,000 in 2013, is indexed to inflation and adjusted upward in increments of $5,000. If your pension compensation exceeds this limit, you may be entitled to a benefit from the Supplemental Pension Plan. (See How The Internal Revenue Code Limits Pensions for further details.)

THE SOCIAL SECURITY OFFSET

Northern Trust makes sizable contributions to the Social Security system on each employee's behalf, over and above what it pays to provide the Pension Plan. To balance what we pay toward Social Security and to the Pension Plan, the Traditional formula has what is known as a "Social Security offset." The Social Security offset is equal to 0.50% times your Final Offset Compensation times your credited service, up to 35 years. Generally, Final Offset Compensation is the lesser of your Covered Compensation Limit or the average of compensation in the last 3 consecutive years prior to the year of retirement. The Pension Plan was amended to have the PEP formula apply to all participants after March 31, 2012. Because of that change, your Final Offset Compensation is determined as of March 31, 2012 (based on the Covered Compensation Limit for 2012 and your average compensation for the three consecutive years ending December 31, 2011, and then increased by a fixed rate of 1.5% per year for the remainder of your employment with Northern Trust while you continue to earn credited service (even in excess of 35 years). The amount of the Social Security offset will vary from person to person because it's based only on the part of your compensation covered by Social Security.

Covered Compensation Limit. Your Covered Compensation Limit is the average of the maximum taxable wage bases for the 35 years ending in the year in which you reach Social Security normal retirement age. Each year, the government releases a table of Covered Compensation Limits for that year. Because your Final Offset Compensation is determined as of March 31, 2012 (and increased by a fixed rate of 1.5% per year for the remainder of your employment with Northern Trust while you continue to earn credited service), the table of Covered Compensation Limits that applies when determining your Covered Compensation Limit is the table for 2012 which is shown on the next page.

[3] For the period May 1, 1998 through April 30, 2004, performance-based incentive compensation counted in determining your HAP under the Traditional formula included the Annual Performance Plan (APP) and the MPP. Other rules with respect to performance-based incentive compensation applied prior to May 1, 1998.

[4] For the period January 1, 2002 through April 30, 2004, the cash value of options paid in lieu of a cash incentive/bonus under the APP or MPP are taken into account (in the amount that would have been paid as cash) in the calculation of your HAP under the Traditional formula. Such amounts are taken into account when they would have been paid in cash had they not been granted as options (except any such options awarded in February 2002 will count toward Pension as of February 28, 2002).

Your Covered Compensation Limit is tied to the year in which you reach your Social Security normal retirement age, so look for your birth year in the table to find your own Covered Compensation Limit.[5]

A reminder about Social Security. Social Security retirement benefits are not paid automatically; you must apply for them. You can file your application with the Social Security office nearest you, and you should do so at least three months before you plan to retire. Although your Social Security normal retirement age depends on the year you were born, you can arrange to have your Social Security benefit start as early as age 62. You can get more information on Social Security by contacting the nearest Social Security office.

2012 Covered Compensation Limit

Year of Birth	Year Social Security Retirement Age Is Reached	2012 Covered Compensation
1935	2000	35,100
1936	2001	37,212
1937	2002	39,444
1938	2004	43,992
1939	2005	46,344
1940	2006	48,816
1941	2007	51,348
1942	2008	53,952
1943	2009	56,628
1944	2010	59,268
1945	2011	61,884
1946	2012	64,560
1947	2013	67,200
1948	2014	69,696
1949	2015	72,096
1950	2016	74,400
1951	2017	76,620
1952	2018	78,744
1953	2019	80,808
1954	2020	82,824
1955	2022	86,664
1956	2023	88,524
1957	2024	90,300
1958	2025	91,980
1959	2026	93.600
1960	2027	95,160
1961	2028	96,660
1962	2029	98,064
1963	2030	99,468
1964	2031	100,824
1965	2032	102,096
1966	2033	103,284
1967	2034	104,364
1968	2035	105,324
1969	2036	106,176
1970	2037	106,896

[5] Unlike the Pension Plan, which generally defines normal retirement age as 65, Social Security "normal retirement" age varies from person to person, depending on the year you were born. For people born before 1938, Social Security normal retirement age is 65; for people born from 1938-1954, Social Security normal retirement age is 66; for people born after 1954, Social Security normal retirement age is 67.

1971	2038	107,556
1972	2039	108,192
1973	2040	108,768
1974	2041	109,224
1975	2042	109,584
1976	2043	109,812
1977	2044	109,908
1978	2045	110,004
1979 and later	2046+	110,100

PROTECTED PRIOR PLAN PROVISIONS

Most of the Pension Plan provisions apply equally to all Northern Trust employees. Plan rules governing participation, vesting, and payment options, for example, are generally the same for everyone. In some cases however, certain prior Plan provisions have been protected for a predefined period of time. We call these "grandfathered" provisions. Throughout this document grandfathered provisions will be identified for you with a special notation(G).

Participants eligible for grandfathering are Northern Trust employees who were employed on December 31, l995. Grandfathering applied up through December 31, 2000 for the Plan provisions in effect prior to 1996, as noted below. These provisions are outlined in detail in the December 1995 Sourcebook Supplement:

- Basic pension formula;
- Minimum benefit formula;
- Joint and survivor benefits;
- Pre-retirement survivor benefits; and
- Early retirement benefits.

MINIMUM BENEFIT FORMULA FOR GRANDFATHERED EMPLOYEES

Eligible grandfathered employees get the benefit of having their pension compared to a second formula (discussed below). If the second formula yields a higher benefit than the l996 formula (shown in the box below) covering all eligible years of service with Northern Trust, grandfathered employees will receive the higher benefit.

Minimum Benefit Comparison Formula

On the earlier of your termination date or December 31, 2000, your minimum benefit will equal your accrued benefit calculated under the Plan formula in effect for you as of December 31, l995 applied to all your years of eligible service up through December 3l, 2000.

The minimum benefit formula is not applied to employees hired January l, l996 or later.

If these grandfathered provisions apply to you, you may get more information about them by calling the *HR Service Center* at 800-807-0302.

HOW YOUR BENEFIT IS FIGURED

Our Plan is referred to as a "defined benefit" plan. That means your pension is calculated according to a specific formula (or combination of formulas, if you also have benefit accruals under the PEP formula). The actual amount of your pension will depend on a number of factors, such as your age and how much service you have when you retire, your HAP, and how you elect to take your benefit. But if you have any service under the Traditional formula, it starts with the Traditional formula.

TRADITIONAL FORMULA

The Traditional formula takes into account three things: your pre-April 1, 2012 credited service (under the Traditional formula) up to 35 years, your pre-April 1, 2012 HAP (increased by 1.5% per year for periods after April 1, 2012 for which you earn credited service even in excess of 35 years), and your April 1, 2012 Social Security offset (with Final Offset Compensation increased by 1.5% per year for periods after April 1, 2012 for which you earn credited service).

Review the Plan Formula below and then let's apply a dollars and cents example.

	Traditional Formula
Step 1	1.8% of pre-April 1, 2012 HAP increased by 1.5% per year for periods after April 1,2012 for which credited service is earned TIMES years of pre-April 1, 2012 credited service (up to 35 years)
	MINUS
Step 2	.50% of pre-April 1, 2012 Final Offset Compensation, increased by 1.5% per year for period after April 1, 2012 for which credited service is earned, TIMES years of pre-April 1, 2012 credited service (up to 35 years)

EXAMPLES – HOW THE TRADITIONAL FORMULA WORKS…

Example 1: Service under the Traditional formula. Suppose you had 35 years of credited service and HAP of $35,000 as of March 31, 2012, then retired on March 31, 2013 at age 65. Your HAP at March 31, 2013 will be $35,000, increased at 1.5% for 1 year, or $35,525. As noted above, your Final Offset Compensation is calculated by first determining the lesser of your Covered Compensation Limit or the average of your compensation in the three consecutive calendar years ending December 31, 2011, and then increasing that amount by 1.5% per year for periods after March 31, 2012 during which you are employed by Northern Trust and continue to earn credited service under the Pension Plan. If you refer to the chart on page 28, you'll see that the Covered Compensation Limit for a person born in 1948 is $69,696. The formula always uses the lower of the Covered Compensation Limit from the table on page 27 (in this case $69,696) or the average of your compensation in the three consecutive calendar years ending December 31, 2011. For purposes of this example, we'll assume that your HAP and your three consecutive year average compensation for the period ending December 31, 2011 are the same (i.e., $35,000, which is less than $69,696). As a result, your Final Offset Compensation will be $35,000 increased by 1.5% for one year, or $35,525 .Since you reached the maximum of 35 years of service as of March 31, 2012, you will not accrue any additional benefits under the PEP formula for your last year of service. The rest is arithmetic, as shown:

	1.8% of $35,525 = $639.45;	
Step 1	$639.45 x 35 yrs	$22,380.75
	MINUS	
	.50% of $35,525 = $177.63;	
Step 2	$177.63 x 35 yrs	$6,217.05
	Benefit Under Traditional formula	$16,163.70 /yr[G]
		$1,346.98/mo[G]
	Age 65 Lump Sum Equivalent	$216,386.41

In this example, you would receive an age-65 basic annual single life annuity pension of $16,163.70, payable in the manner you elect. (See PAYMENT OPTIONS.)

Example 2: Service under the Traditional and PEP formulas

Assume you terminate employment on March 31, 2013, at age 65 with 24 years of credited service and HAP of $35,000 (assume this was also your HAP at March 31, 2012). Further assume that you elected the PEP formula for service after December 31, 2001. This means that you have 12.75 years of credited service under the Traditional formula and 11.25 years of credited service under the PEP formula.

Your HAP for purposes of calculating your Traditional formula benefit is equal to your March 31, 2012 HAP ($35,000), increased by 1.5% per year until your termination date of March 31, 2013. The resulting amount is $35,525. As noted above, your Final Offset Compensation is calculated by first determining the lesser of your Covered Compensation Limit or the average of your compensation in the three consecutive calendar years ending December 31, 2011, and then increasing that amount by 1.5% per year for periods after March 31, 2012 during which you are employed by Northern Trust and continue to earn credited service under the Pension Plan.

As you can see on the chart on page 29, for a person born in 1948, the Covered Compensation Limit is $69,696. The formula always uses the lower of the Covered Compensation Limit from the table (in this case $69,696) or the average of your compensation in the three consecutive calendar years ending December 31, 2011. To keep it simple, we'll assume your HAP and your three consecutive year average compensation for the period ending December 31, 2011 are the same (i.e., $35,000, which is less than $69,696). As a result, similar to Example 1, your Final Offset Compensation will be $35,000 increased by 1.5% for one year, or $35,525. Your benefit would be determined as follows:

[G] Grandfathering applies to eligible participants who will receive the greater value of this formula or the Minimum Benefit Comparison Formula.

Step 1	1.8% of $35,525 = $639.45; $639.45 x 12.75 yrs	$8,152.99
	MINUS	
Step 2	.50% of $35,525 = $177.63; $177.63 x 12.75 yrs	$2,264.78
	Benefit under Traditional formula	$5,888.21/yr $490.68/mo
	Age 65 Lump Sum Equivalent[6]	$78,825.58
	PLUS	
Step 3	Your PEP benefit amount (79.25% x 35,000) =	$27,737.50
Step 4	Monthly age 65 single life annuity under PEP	$172.66
	TOTAL MONTHLY BENEFIT	$663.34
	TOTAL LUMP SUM BENEFIT AT AGE 65	$106,563.08

In this example, your monthly single life annuity would be $663.34, payable in the manner you elect. (See PAYMENT OPTIONS.)

WHEN YOU CAN RETIRE...AND WHAT HAPPENS THEN

When you retire is pretty much up to you once you are vested in a pension benefit. The Pension Plan offers you several retirement dates from which to choose, as well as a say in how your benefit is paid.

NORMAL RETIREMENT

Retiring at age 65 is considered a normal retirement under the Traditional formula. The only exception to this rule applies to those who joined Northern Trust after age 60, in which case normal retirement is the earlier of completion of five years of vesting service or five years of participation.

What happens then. The way your benefit is normally paid depends on your marital status when you begin your benefits. If you are not married when your benefit payments begin, your pension will be paid as a single life annuity (or its equivalent). As its name implies, a single life annuity is paid over one lifetime: yours. You receive a fixed benefit each month for as long as you live. Payments stop when you die. If you are married when payments begin, your benefit will be paid as a 50% joint and survivor benefit (or its equivalent). A joint and survivor benefit pays you a reduced annuity benefit for your lifetime. When you die, your spouse receives one-half of your annuity benefit for the rest of his or her life. A joint and survivor benefit pays smaller monthly benefits than you would normally get under a single life annuity. That's because payments are expected to be made over two lifetimes—yours and your spouse's—instead of yours alone. But reducing your monthly benefit lets you continue half of it to your surviving spouse if you die.

NORMAL RETIREMENT PAYMENT OPTIONS

The following automatic and optional forms of payment may be available to you at normal retirement. See PAYMENT OPTIONS for more details on how each works and how you may elect one.

- 50% joint and survivor annuity (this is the automatic form of payment for married employees)

[6] The example assumes that HAP is the same under both formulas. This will not always be the case because each formula uses a different definition of compensation. Note that for your 11.25 years of PEP service, you accrue at the rate for someone with 12.75-24 years of credited service (6% per year for 2.25 years, 7% per year for 5 years, 8% per year for 3 years, and 7% per year for 1 year = 79.25%). So, even though 12.75 years of your credited service is used in the Traditional formula, it still counts for determining your accrual rate for the PEP formula.

- Single life annuity (this is the automatic form of payment for single employees; an option for married employees)
- Lump sum (this is an optional form of payment for both single and married employees)
- 75% joint and survivor annuity (this is an optional form of payment for married employees)
- 100% joint and survivor annuity (this is an optional form of payment for married employees who retire with 15 or more years of credited service). You may only elect this optional form of payment if a part of your pension benefit is determined under the Traditional formula.

EARLY RETIREMENT

The Pension Plan allows for retirement prior to age 65. You can retire early anytime after you reach age 55 and complete 15 years of credited service.[7] If your career with Northern Trust ends before your 65th birthday, you may:

- receive your full pension entitlement for benefits under the Traditional formula beginning at age 62 (or your age at termination if later); or
- receive a reduced pension beginning at your early retirement age. The reduction factor applicable to your Traditional formula benefit is 0.5% for each month (6% for each year) you receive payments prior to your 62nd birthday.

Let's see how each of these choices works in the following example:

Example. We will use the same retirement year and salary assumptions from Example 1 but let's say you take early retirement at age 57 with 27 years of credited service instead of normal retirement at age 65, when you would have had 35 years of credited service. In this example, one year of credited service will have been earned under the PEP formula after March 31, 2012. Step-by-step, here is what it looks like.

[7] Some participants are eligible for early retirement with 10 years of service if grandfathered under an Acquired Company's Pension Plan. (See Acquired Company Prior Plan Benefit for further details.)

	1.8% of $35,525 = $639.45;	
Step 1	$639.45 x 26 yrs	$16,625.70
	MINUS	
	.50% of $35,525 = $177.63;	
Step 2	$177.63 x 26 yrs	$4,618.38
	Benefit under Traditional formula	$12,007.32/yr[G]
		$1,000.61/mo[G]
	MINUS	
Step 3	Apply the reduction for early retirement from age 62. Age 57 is 60 months early; 60 x 0.5% = 30%; 30% of $12,007.32	$3,602.20
	Pension payable at age 57	$8,405.12/yr[G]
		(or $700.43/mo)
Step 4	Your PEP lump sum benefit (8% x 35,000) =	$2,800.00
Step 5	Monthly age 57 single life annuity under PEP	$15.38
	TOTAL MONTHLY BENEFIT	**$715.81**

Remember, if you also have a portion of your benefit determined under the PEP formula, your PEP benefit amount will be converted to an actuarially equivalent monthly annuity starting at age 57 and be added to the benefit under the Traditional formula.

When payments begin. You can choose to have your benefits begin immediately or payment can be deferred up to age 65. The automatic and optional forms of benefit payment available to you at normal retirement are also available to you at early retirement. In addition, you can elect a level income optional form of payment. (See PAYMENT OPTIONS for more details on the level income option.)

Electing an early retirement. If you decide to retire early, contact the Benefits Division for information on benefits and the required forms. You should do this about three before you expect to retire since your benefit election must be made in writing within the 90-day period prior to your Benefit Commencement date to avoid processing delays in the payment of your benefit.

POSTPONED RETIREMENT

You may postpone your retirement past age 65. In that case, you continue to earn credited service (up to a maximum of 35 years).

What happens then. The automatic and optional forms of benefit payment available to you at normal retirement are also available to you at postponed retirement. (See Normal Retirement Payment Options.)

Suspension of Benefits. Under the terms of the Plan, you are not permitted to commence your pension benefit at any time prior to the date you retire or terminate employment. Northern Trust is required by Department of Labor regulations to notify you that when you postpone your retirement past your normal retirement date, the Plan will permanently withhold your monthly pension benefits for each month in which you work eight days or more. Once you retire, whether you elect to receive your benefits in the form of an annuity or a lump sum distribution, the amount will not include the benefits that have been

[G] Grandfathering applies to eligible participants who will receive the greater value of this formula or the Minimum Benefit Comparison Formula.

permanently withheld. The Pension Plan terms this withholding a "Suspension of Benefits." A Suspension of Benefits means that by remaining actively employed beyond your normal retirement date, you have chosen to defer the start of your Pension benefits and to forgo the payments that would otherwise have been payable with respect to the period you are working. By continuing active employment, you continue to accrue additional benefits under the Plan based on your service and compensation after age 65 (up to a maximum of 35 years). However, it is possible that the value of any additional accruals may not exceed the value of the pension payments you are foregoing by not retiring and commencing your benefit on your normal retirement date.

To make you fully aware of this provision of the Plan in advance of any postponed retirement, you will be notified in writing of the Suspension of Benefits provision early in the month prior to the month you will reach your normal retirement date. For example, if your normal retirement date is in November, you would receive your Suspension of Benefits notice in early October.

VESTED TERMINEE BENEFIT

If you leave Northern Trust for any reason after you have three or more years of vesting service but before you are retirement eligible (age 55 with 15 or more years of credited service, or your normal retirement age), you will be entitled to a vested terminee benefit.

What happens then. Upon your termination you can choose to start your benefit immediately, or you can defer commencement of your benefit to anytime up to age 65. If you choose to start your benefit before age 65, it will be actuarially adjusted to reflect early commencement.

Example. Suppose you were born in 1970, hired in 1995 at age 25 and you left Northern Trust on March 31, 2013 with 18 years of service. While employed, your HAP was $27,000 (at both March 31, 2012 and March 31, 2013). Also assume that in 2001 you elected to have your entire benefit calculated under the Traditional formula. You will have 17 years if service under the Traditional formula and 1 year of service under the Current PEP formula. You are eligible to either commence your benefit immediately (monthly annuity or a lump sum) or you can defer commencement of your entire benefit to any time up to age 65. Using both the Traditional and Current PEP formulas, here's what the calculation produces.

Step 1	1.8% of $27,405 = $493.29; $493.29 x 17 yrs	$8,385.93
	MINUS	
Step 2	.50% of $27,405[8]= $137.03; $137.03 x 17 yrs	$2,329.51
Step 3		$6,056.42[G]/yr
	Monthly Age 65 single life annuity	$504.70/mo
	Monthly Age 55 single life annuity (Reduced by 6%/yr for 10 yrs)	$201.88/mo
	Immediate single life annuity (Reduced from age 55 by actuarial table)	$66.52/mo
	PLUS	
Step 4	Your PEP lump sum benefit (7% x $27,000)	$1,890.00
	Monthly age 65 single life annuity under PEP	$42.79/mo
	Monthly Age 55 single life annuity under PEP (Reduced by 6%/yr for 10 yrs)	$17.12/mo
	Immediate single life annuity under PEP	$8.77/mo
	TOTAL Age 65 Monthly Benefit	$547.49/mo
	TOTAL Age 55 Monthly Benefit	$219.00/mo
	TOTAL Immediate Monthly Benefit	$75.29/mo

VESTED TERMINEE BENEFIT PAYMENT OPTIONS

Here are the automatic and optional forms of payment available to you as a vested terminee if the total value of your benefit at termination of employment is greater than $1,000. If the value is $1,000 or less, your payment will automatically be paid as an immediate lump sum. See PAYMENT OPTIONS for more details on how each works and how you may elect one.

- Lump sum (this is an optional form of payment for both married and single employees)
- 50% joint and survivor annuity[9] (this is the automatic form of payment for married employees)
- 75% joint and survivor annuity[9] (this is an optional form of payment for married employees)
- Single life annuity (this is the automatic form of payment for single employees; an option for married employees)

[8] The formula always uses the lower of your Covered Compensation Limit (in this case $106,176) or the average of your salary in the three consecutive calendar years before your termination.

[G] Grandfathering applies to eligible participants who will receive the greater value of this formula or the Minimum Benefit Comparison Formula.

[9] This is available by actuarially reducing your single life annuity.

PAYMENT OPTIONS

Since different people have different needs and everyone likes to have a choice, various payment options are built into our Pension Plan. This section outlines what those options are. As you review your payment options, keep in mind that if you are married and want to elect an optional form of payment, you are legally required to provide your spouse’s written, notarized consent on the form provided by the Plan. Remember, your payment election will apply to your total pension benefit. You cannot make separate elections for your Traditional formula and PEP formula benefits.

Forms of Pension Payment At-A-Glance		
TYPE OF RETIREMENT	METHODS OF PAYMENT	
	Automatic	***Optional***
Normal or Postponed	• Single employees: single life annuity • Married employees: 50% joint and survivor annuity	• lump sum • lump sum • 100% joint and survivor annuity* • 75% joint and survivor annuity • single life annuity
Early	• Single employees: single life annuity • Married employees: 50% joint and survivor annuity	• lump sum • level income** • lump sum • level income** • 100% joint and survivor annuity* • 75% joint and survivor annuity • single life annuity
Vested Terminee	• Single employees: single life annuity • Married employees: 50% joint and survivor annuity	• lump sum • lump sum • 75% joint and survivor annuity • single life annuity
*Available to retirement eligible employees who are married with 15 or more years of credited service and any service accruals under the Traditional formula. ** Available to employees who are eligible for Early Retirement with any service accruals under the Traditional formula and who commence the benefit prior to becoming eligible for a Social Security benefit.		

SINGLE LIFE ANNUITY

A single life annuity is the automatic form of payment for unmarried employees, but it is also available as an option to married employees. If you elect a single life annuity, you would get the full monthly benefit determined by the Plan’s formula and actuarial factors. Single life annuity payments are made to you for your life. Payments end when you die. (See *When You Can Retire... And What Happens Then*.)

50% JOINT AND SURVIVOR ANNUITY

The 50% joint and survivor annuity is the automatic form of payment for married employees. Under this form of annuity you would receive reduced monthly payments for your lifetime. After your death, your surviving spouse would receive 50% of that monthly amount for the rest of his or her life. Your spouse at the time your joint and survivor annuity commences is the only qualified survivor for this benefit.

75% JOINT AND SURVIVOR ANNUITY

The 75% joint and survivor annuity is an optional form of payment for married employees. Under this form of annuity you would receive reduced monthly payments for your lifetime. After your death, your surviving spouse would receive 75% of that monthly amount for the rest of his or her life. Your spouse at the time your joint and survivor annuity commences is the only qualified survivor for this benefit.

100% JOINT AND SURVIVOR ANNUITY

This option is available under Normal, Early, or Postponed retirements and to certain acquired company prior plan participants. You may elect the 100% joint and survivor annuity if you have 15 or more years of credited service, you are married when you retire, and a portion of your pension benefit is calculated under the Traditional formula. You would receive reduced monthly payments for life. After your death, your surviving spouse would receive the same monthly benefit you received, for the rest of his or her life. Your monthly payments are reduced to account for the extra income your spouse is expected to receive. You may only elect a joint and survivor annuity with your spouse as the survivor.

Example. To illustrate how this works, we'll look at two employees, Tom and Joan. To keep things simple, we'll ignore discount rates and the time value of money, but make the following assumptions:

- Both Tom and Joan have identical service and salary under the Pension Plan and retire at the same age with a pension beginning at age 65 of $1,000 a month.
- Tom is married and his wife is younger than he is.
- Joan is single.
- Both employees are expected to receive benefits for 15 years, which means they would each receive 180 monthly payments. Tom's wife is expected to receive payments for 10 years following Tom's death (that is, she will receive 120 monthly payments).

Joan's Pension. The total payments under Joan's pension are $180,000:

$1,000 a month x 180 months = $180,000

Tom's Pension. Tom and his wife are entitled to a reduced 50% joint and survivor annuity. The total of the payments they both receive must add up to $180,000. It works out like this:

Tom:	$750/month x 180 months	= $135,000
Tom's surviving spouse:	$375/month x 120 months	= $ 45,000
Total Value of Tom's Pension		= $180,000[G]

If Tom and his wife elect the 75% joint and survivor annuity, Tom's monthly benefit will be further reduced:

Tom:	$667/month x 180 months	=	$120,000
Tom's surviving spouse:	$500/month x 120 months	=	$60,000
Total Value of Tom's Pension		=	$180,000[G]

If Tom and his wife elect the 100% joint and survivor annuity, Tom's monthly benefit will be further reduced:

Tom:	$600/month x 180 months	= $108,000
Tom's surviving spouse:	$600/month x 120 months	= $ 72,000
Total Value of Tom's Pension		= $180,000 [G]

As you can see, Tom and Joan each would be entitled to a $180,000 pension. But because Tom opts to provide his wife with a continuing income after his death, he's willing to "trade off" part of his benefit. How much Tom actually gets depends on how much of his benefit is continued to his wife. For example, he'd get $750 a month if he chose to have 50% of his benefit continue to his wife; he'd get $667 a month if she were to receive 75% of his benefit and he'd get $600 a month if she were to receive 100% of his benefit. Also, the amounts that Joan, Tom and Tom's wife actually receive may be more or less than $180,000 depending on how long each actually lives. Remember, this is a simplified example. Actual amounts would vary because of applicable discount rates and other actuarial factors.

LEVEL INCOME

This form of payment is an option for early retirees with 15 or more years of credited service who have any portion of their benefit calculated under the Traditional formula and who retire before their Social Security retirement benefits begin. It provides both survivor protection and increased pension payments until Social Security benefits start. Once your Social Security benefits begin, your monthly Pension Plan benefit is reduced. Your pension before you receive Social Security would be about the same as the total of your pension and Social Security benefits, hence the "level income" throughout retirement.

If you die while receiving payments under the level income option (before or after your Social Security benefits begin), and you are married on the date of your death to the person to whom you were married on the date you commenced your Pension Plan benefits, your surviving spouse would receive 50% of the pension you would have been entitled to under the 50% joint and survivor annuity at your early retirement date. This survivor benefit is actuarially reduced.[G]

LUMP SUM

Instead of monthly payments, you may elect to have your pension paid in one cash payment, called a lump sum. If the total value of your benefit at retirement or termination of employment is $1,000 or less, your benefit will automatically be paid as an immediate lump sum. For purposes of determining if the value of your benefit is greater than $1,000, your Traditional formula benefit will be added to your PEP formula benefit, if any. The payment will be of the same actuarial value as the pension you otherwise would automatically receive.

[G] Grandfathering applies to eligible participants who will receive the greater value of this formula or the Minimum Benefit Comparison Formula.

When converting your monthly payments to a lump sum, the applicable interest rates designated by the IRS that are published in the first month of each quarter (for the prior month) establish the discount rates that apply for lump sum payments with a Benefit Commencement Date (Annuity Start Date) in the following quarter (see Converting Annuities and Lump Sums for Benefit Deferrals). For example, if you retire, initiate your pension benefits in December, and elect to commence your lump sum benefit on the following January 1, your lump sum would be based on the prior year's September rates, provided you timely file your election forms and any other required documentation, such as a birth certificate. The following chart illustrates the timing of the discount rates which apply to both retirees and vested terminees.

Lump Sum Conversions		
Your Benefit Commencement Date	**Applicable Interest Rates**	**Date Interest Rates Published**
Jan 1/Feb 1/Mar 1	September (prior year)	October (prior year)
Apr 1/May 1/June 1	December (prior year)	January (current year)
July 1/Aug 1/Sept 1	March (current year)	April (current year)
Oct 1/Nov 1/Dec 1	June (current Year)	July (current year)

CONVERTING ANNUITIES AND LUMP SUMS FOR BENEFIT DEFERRALS

The Pension Protection Act of 2006 (PPA) was signed into law on August 17, 2006 and contains changes to the rules governing plans like Northern Trust's Pension Plan. PPA required a change to the interest rates used to calculate lump sum payments under the Traditional Pension Plan formula and deferred benefits under the Pension Equity Plan formula effective January 1, 2008.

Beginning in 2008, when determining the lump sum, the calculation is based on an annuity stream of payments you are predicted to receive for your lifetime. A component of the calculation is the *probability* that you will survive to collect each payment. Further, each future payment is *discounted* with interest back to the payment date of the lump sum. The interest rate used to discount each future payment back to the payment date is based on up to one, two or three interest rates on the Corporate Bond Yield Curve. Depending on your age at the time of payment and the projection of how many years you would receive annuity payments for, your calculation may be dependent on one, two or all three of the Corporate Bond Segment Rates. The Corporate Bond Yield Curve is divided into three segments as follows:

- First Segment: This interest rate applies to future payments you are projected to receive 1 to 5 years after your Benefit Commencement Date.
- Second Segment: This interest rate applies to future payments you are projected to receive beginning with the 5th year through the 20th year after your Benefit Commencement Date.
- Third Segment: This interest rate applies to future payments you are projected to receive beginning 20 years after your Benefit Commencement Date.

Under the Pension Equity Plan Formula, the lump sum value of the benefit is converted into a Single Life Annuity using the present value factor determined by the methodology described above. From the

Single Life Annuity form of payment, the other available payment options are calculated based on the Plan's definition of actuarial equivalence.

The Plan's mortality table and Corporate Bond Segment Rates are used to convert a Traditional formula annuity to a lump sum or a PEP formula lump sum to an annuity. The Benefit Commencement Date (technically referred to as the Annuity Start Date) determines the timing of the segment rates applied. We use a two quarter look back from the Benefit Commencement Date to determine the segment rates. The segment rates are then valid for a payment within 3 months of the Benefit Commencement Date. If payment is not made within a 3-month timeframe, a new Benefit Commencement Date and corresponding segment t rates would be assigned.

The following chart provides an example of a payment made upon termination or retirement

PENSION							
				Payment Timing			
If Your Termination/Retirement Date Is:	**You Initiate Pension Benefits By End of:**	**Your Benefit Commence-ment Date (BCD) Will Be:**	**You Will Receive this Lump Sum Segment Rates:**	**If You Return Forms By:**	**You'll Be Paid On:**	**If You Return Forms By:**	**You'll Be Paid On:**
03/01-03/15	Feb	4/1	**December. (prior year) Corporate Bond Segment Rates**	3/10	4/1	4/10	5/1
03/16-03/31		4/1		4/10	5/1	5/10	6/1
04/01-04/15	Mar	5/1		4/10	5/1	5/10	6/1
04/16-04/30		5/1		5/10	6/1	6/10	7/1
05/01-05/15	Apr	6/1		5/10	6/1	6/10	7/1
05/16-05/31		6/1		6/10	7/1	7/10	8/1

If you do not initiate Pension benefits by the date shown in a particular row, the deadline will move to the next row that applies to the Benefit Commencement Date you selected and you can follow the chart to the right from that point. (Example: If you terminate on March 18th and you initiate Pension benefits in April, your Benefit Commencement Date will be June 1st and you should follow that line across the chart.)

When payments are made. If you retire or terminate from Northern Trust and initiate your pension benefits for immediate payment in accordance with the above chart, your benefit will be calculated as of the first day of the month following your retirement or termination. The earliest you can receive your benefit payment is by the first of the month following your retirement or termination, assuming all paperwork is completed and returned as indicated in the above chart.

If you decide to defer receipt of your benefit, or do not meet the deadline for your earliest payment opportunity, you may request payment at any time after, up to the mandatory distribution age of 65. You should initiate your pension benefits and request the appropriate election-materials through the HR Service Center at 800-807-0302.

Thinking It All Through

Keep in mind that Pension Plan distributions will have some tax implications. (See OTHER INFORMATION YOU SHOULD KNOW, *Taxes Upon Distribution*, for further details.) We recommend that you discuss the pros and cons of any benefit payment choice with your tax advisor.

SURVIVOR PROTECTION

The primary purpose of the Pension Plan is to provide you with retirement income. But the Plan also provides—and pays for—a measure of financial protection for your spouse or other beneficiaries after your death. The extent and amount of survivor protection depends on whether you die before or after your pension payments begin.

Spousal survivor protection is provided automatically. It may not be waived unless you elect a lump sum pension or single life annuity, with your spouse's notarized consent on the form provided by the Plan.

SURVIVOR PROTECTION IF DEATH OCCURS BEFORE PENSION PAYMENTS COMMENCE

This form of survivor protection is payable under one of the following circumstances:[10]

- If you die while employed by Northern Trust after you are vested; or
- If you die after leaving Northern Trust with a deferred retirement or vested terminee pension (and before payments commence).

If your death occurs under these circumstances, your survivor would be entitled to a benefit equivalent to one-half of the Traditional formula benefit you would have received if you had terminated employment on the day before you died (or on your actual termination date, if earlier) and elected the 50% joint and survivor form of payment.[G] This amount will be paid to your surviving spouse as an annuity for your spouse's life, unless your spouse elects to receive this amount in a lump sum. If you are not survived by a spouse, or your spouse consented to another beneficiary before your death (by notarized signature on a form provided by the Plan), your beneficiary will receive the survivor benefit in a lump sum.

If you terminated employment before January 1, 2002 and die prior to commencing a benefit, the above benefit is payable only to a spouse (as an annuity or lump sum) or eligible children (as a lump sum). If you were not married and did not have eligible children, a survivor benefit will not be paid.

Remember, if part of your benefit is determined under the PEP formula, your surviving spouse or other beneficiary may also receive additional survivor benefits as described on page 23. Also, your Pension Plan beneficiary designation applies to your benefits under both the Traditional and PEP formulas.

When Payments Begin. Payment will be effective as of the first day of the month following the month of your death. If timely notification is received, the check is processed one month after the effective date. For example, if you die on August 31, your survivor earns a benefit effective September 1, but the check is processed on October 1 (retroactive to September 1 for an annuity) assuming that all the completed paperwork is returned to the HR Service Center.

However, if your survivor benefit is being paid to your surviving spouse, your surviving spouse may elect to defer payment up to the date you would have reached normal retirement age. All survivor

[10] If you die while performing qualified military service (as defined in the Internal Revenue Code), your vested interest in the Plan and any survivor benefits will be determined as if you had resumed employment immediately following your qualified military service and had died the next day.

[G] Grandfathering applies to eligible participants who will receive the greater value of this formula or the Minimum Benefit Comparison Formula. If you designate a beneficiary other than a spouse or child, that beneficiary will not receive the enhanced Joint and Survivor portion of the benefit. This enhanced benefit is only payable to a spouse or eligible child.

benefits under the Traditional formula are reduced for early commencement and are adjusted for the 50% joint and survivor form of payment.

By "your spouse" for deaths before pension commencement, we mean the person to whom you are married when you die.

SURVIVOR PROTECTION IF DEATH OCCURS AFTER PENSION PAYMENTS COMMENCE

If you die after pension payments have commenced, a survivor benefit will be payable to your surviving spouse only if you elected the 50%, 75% or 100% joint and survivor annuity or the level income option form of pension at the time your payments commenced. In order to receive this benefit, your surviving spouse must be the person to whom you were married on the date you commenced your benefit.

If you are a pre-1989 employee with at least 15 years of credited service, elect payment in a 50%, 75% or 100% joint and survivor annuity or level income option, and you and your spouse both die, your unmarried children under age 21, if any, may be eligible for an additional survivor benefit. Contact the Benefits Division for additional information on this survivor benefit.[G]

DEATH BENEFITS

There are also times when an additional lump sum death benefit may be payable to your beneficiary. If you were working at least 20 hours a week before you retired, with an Early or Normal Retirement Pension, had service accruals under the Traditional formula, and were receiving monthly retirement benefits, your beneficiary is eligible for this special benefit. The death benefit is $5,000. If you are married on your date of death, your beneficiary is your spouse on that date. If you are unmarried at the time of your death, your designated beneficiary will receive the death benefit. If you choose a lump sum for your retirement payment, your death benefit will be cashed out in a lump sum at the time of your retirement (subject to an appropriate actuarial adjustment.) This death benefit is available to you if you have any service accruals under the Traditional formula.

[G] Grandfathering applies to eligible participants who will receive the greater value of this formula or the Minimum Benefit Comparison Formula.

OTHER INFORMATION YOU SHOULD KNOW ABOUT THE PEP AND TRADITIONAL PENSION FORMULAS

ACCESSING YOUR BENEFITS RESOURCES™

Your Benefits Resources™ provides your accrued Pension benefits information online. The estimated benefit is updated monthly. You can also model estimated future benefits by putting in your own assumptions and projecting an estimated future benefit. You can save up to 12 projections for future reference. Your projected benefits reflect all information through the most recent payday. This feature is available to you whether or not you are a Plan participant or vested in a benefit.

ONLINE ACCESS

Access to *Your Benefits Resources*™ is available every day. You can access your account information either at work or at home.

At work: *Your Benefits Resources*™ is available online at My Place on Partner Passport, Northern Trust's HR site on the intranet. Select My Retirement and click on *Access Your Benefits Resources*™ under the Pension menu.

At home: *Your Benefits Resources*™ is available through the internet at www.ntrs.com/myplace.

Your current sign on to My Place allows you to access all benefits information with one user id and password.

Forget your My Place Password? Password Management is a self-service login tool that allows you to reset your password directly on-line.

TELEPHONE ACCESS

The *Your Benefits Resources*™ telephone number is 800-807-0302. For security reasons you access your account by telephone by using a password. The telephone password is separate and different from the on-line user id and password for current employees.

Forget your Telephone Password?

- Call the H. R. Service Center at 312-557-7593; or call toll free from within the U.S. at 800-807-0302
- Select 2 for current Northern Trust partner, and select 1 for *Your Benefits Resources*™
- Enter your Social Security Number
- When prompted for your password, wait for instructions on how to receive a new password.
- If you do not have a telephone password and are calling *Your Benefits Resources*™ for the first time, you will need to provide your Social Security number, date of birth and home zip code to establish a password. This password will give you access to your retirement accounts through the automated telephone system only. When visiting *Your Benefits Resources*™ on-line, employees will access all their benefits information with their My Place password, directly through My Place.

IF YOU NEED TECHNICAL ASSISTANCE WHEN YOU ACCESS AT WORK:

Chicago's Partner Help Desk provides technical support for *Your Benefits Resources*™ Monday through Friday, 6:00 a.m. to 12 midnight, Central Time.

- PFS Partners outside of Illinois — call 877-625-4368
- Illinois PFS Partners — call 312-444-4737
- All other Partners — call 312-444-4357

FOR QUESTIONS REGARDING THE INFORMATION YOU SEE ABOUT YOUR PENSION

Call 312-557-7593; or call toll free from within the U.S. at 800-807-0302, select 2 for current Northern Trust partner, select 1 for *Your Benefits Resources*™ and press "*, zero" to reach a Pension Representative Monday through Friday 8 a.m. to 5 p.m. Central Time.

IF YOU NEED TECHNICAL ASSISTANCE WHEN YOU ACCESS AT HOME:

If you cannot access any Internet-based service from home, contact your Internet service provider to see if they are having difficulties. If the only Internet application having problems is My Place, note the exact error message you received, the steps you took leading to the error message and call the Partner Help Desk for assistance during business hours Monday through Friday 6:00 a.m. to 12 midnight, Central Time.

CREDIT FOR SERVICE DURING A LEAVE

The following chart shows how credit is given for service under the following circumstances: an unpaid leave of absence, military leave, short-term disability, and long-term disability.

Unpaid Leave of Absence of Up To One Year including :	
Family Care Leave	All time counts as vesting and credited service.
Military Leave	All time counts as vesting and credited service if you return to Northern within the period required under law.
Short-term Disability	All time counts for vesting and credited service.
Long-term Disability	If you have at least 15 years of credited service when your disability begins, all time counts for vesting and credited service. If you have less than 15 years of credited service when your disability begins, up to nine months can be counted for both vesting and credited service.

QUALIFIED DOMESTIC RELATIONS ORDER

A Qualified Domestic Relations Order (QDRO) is a court order that meets certain requirements under the Internal Revenue Code and provides for child support, alimony or marital property rights to a spouse, former spouse, child or other dependent, according to a state domestic relations law. If a QDRO affects your pension, benefits may be payable to someone other than you or your designated beneficiary. The Plan has documented procedures which cover the process of handling QDROs. Participants and beneficiaries can obtain a copy of these procedures by calling the HR Service Center at 312-557-7593; or toll free from within the U.S. at 800-807-0302, , select 2 for current Northern Trust partner, select 1 for *Your Benefits Resources*™ and press "*, zero" to reach a Pension Representative Monday through Friday 8 a.m. to 5 p.m. Central Time.

A REMINDER ABOUT SOCIAL SECURITY

Remember, Social Security retirement benefits are not paid automatically; you must apply for them. You can file your application with the Social Security office nearest you, and you should do so at least three months before you plan to start receiving your Social Security benefit. Although your Social Security normal retirement age depends on the year you were born, you can arrange to have your Social Security benefit start as early as age 62. You can get more information on Social Security by contacting the nearest Social Security office.

REEMPLOYMENT

Vesting Service. If you were 100% vested when you previously terminated employment, you are 100% vested upon reemployment. If you were not fully vested at termination and are reemployed by Northern Trust within 5 years of your prior termination date, your past service will count as vesting service. If you were not fully vested at termination and are reemployed more than 5 years after your prior termination, you will be treated as a new hire and your prior service will not count as vesting service.

Credited Service. If you leave and are later reemployed by Northern Trust, your past service will count as credited service if either--

- You are rehired within 5 years and did not receive a lump sum from the Plan when you left or

- You repay the lump sum distribution you received from the Plan (with interest) as follows--

  - If your reemployment occurs on or after January 1, 1994, and your break in service was less than 5 years: You must repay the lump sum (with interest) by the earlier of (1) your termination of employment or (2) the fifth anniversary of the date of your reemployment.
  - If your reemployment occurred prior to January 1, 1994: You must repay the lump sum (with interest) at any time prior to termination of employment.

If you do not repay the lump sum or are not eligible to repay the lump sum, your pension when you eventually retire or leave again will be based only on your salary earned and credited service after your return.

In addition to the above, several special reemployment rules apply relative to the January 1, 2002 PEP and Traditional formulas which are:

- If upon rehire you do not repay your lump sum distribution or are not eligible to repay your lump sum distribution, your service upon rehire will be counted starting at the 4% PEP level.
- If upon rehire you do repay your lump sum distribution, and you made a valid election during the 2001 Pension Choice period, your election will be binding on your service after your rehire date. However, regardless of your 2001 Pension Choice election, for the purpose of calculating your

benefit under the Traditional formula, only service through March 31, 2012 is counted. Beginning April 1, 2012, all new pension accruals will be determined under the Current PEP formula.

- If upon rehire you do repay your lump sum distribution, but did not make a valid election during the 2001 Pension Choice period, your entire benefit following your rehire will be calculated under the PEP formula, starting at the accrual level based on all of your credited service.
- If upon your termination no Pension distribution was made, and you made a valid election during the 2001 Pension Choice period, your election will govern your service after January 1, 2002 and before April 1, 2012. However, regardless of your 2001 Pension Choice election, for the purpose of calculating your benefit under the Traditional formula, only service through March 31, 2012 is counted. Beginning April 1, 2012, all new pension accruals will be determined under the Current PEP formula. If you did not make an effective election during the 2001 Pension Choice period, the PEP formula applies to service effective January 1, 2002.
- If upon termination or retirement you elected an annuity and were rehired, your annuity would stop upon rehire and, if you made a valid election during the 2001 Pension Choice period, your election would govern your service after January 1, 2002 and before April 1, 2012. However, regardless of your 2001 Pension Choice election, for the purpose of calculating your benefit under the Traditional formula, only service through March 31, 2012 is counted. Beginning April 1, 2012, all new pension accruals will be determined under the Current PEP formula. If you did not make a valid election during the 2001 Pension Choice period, the PEP formula will apply to your service effective January 1, 2002
- And finally, if you were rehired between June 1, 2001 and December 31, 2001 then you were not eligible to make an election during the 2001 Pension Choice period and the PEP formula applies to your service effective January 1, 2002.

Break in Service. Your break in service (the period of time between your termination of employment date and reemployment date) will count as vesting service if the break in service is less than one year.

The break in service will count as credited service only if it is less than one year and the termination date occurred prior to January 1, 1997.

Prevailing formulas and options. Generally, if your ultimate benefit will include credited service for the prior period of employment, the benefit calculation will account for grandfathered benefit formulas and options that were available to you based on your original hire date.

Contrarily, if your ultimate benefit will not include credited service for a prior period of employment, the benefit calculation will be based on the benefit formula and options associated with the most recent rehire date.

Reemployed Retirees. If you were receiving monthly payments from the Plan when you are reemployed, your monthly payment may be withheld in the following situations:

- Your monthly payment will be withheld for any month after your normal retirement age in which you work for Northern Trust for eight or more days; and
- Your monthly payment will be withheld for any month prior to your normal retirement age in which you work for Northern Trust.

Upon your subsequent termination of employment, your benefit payable from the Plan will be recalculated to take into account salary and service earned after your reemployment. Your benefit will recommence no later than three months following your subsequent termination of employment.

ACQUIRED COMPANY PRIOR PLAN BENEFIT

If you worked for an affiliate of Northern Trust prior to the date of affiliation, you may have certain other grandfathered provisions or additional forms of benefit from a prior plan or special vesting and credited service dates agreed to at the time of the affiliation.

For example, both the O'Hare and Lake Forest acquisitions had pension plans which contained a provision allowing Early Retirement when a participant reaches age 55 and has 10 years of service. If you were a participant of one of these plans when they merged into the Northern Trust Pension Plan (1/1/1986 and 1/1/1988, respectively) you may be eligible to retire under that grandfathered Early Retirement provision.

Affiliate benefit merger provisions are documented in detail as part of the Plan Document. Be sure to review your affiliate service dates with the Benefits Division when you discuss your retirement benefit options.

HOW THE INTERNAL REVENUE CODE LIMITS PENSIONS

While the Pension Plan uses a specific formula to determine your benefit, the amount of that benefit which can be paid from the Plan is subject to certain Internal Revenue Code limits. These limits, which generally affect only highly-paid employees, change from time to time as tax laws change. Therefore, your benefit may be reduced due to Internal Revenue Code limits. When this applies, you may receive a payment from the Supplemental Pension Plan. Payments from the Supplemental Plan are taxed as ordinary income when received and do not qualify for any special tax treatments available for payment from the qualified Pension Plan.

TAXES UPON DISTRIBUTION

The tax treatment of your pension depends on whether you take it as an annuity or a lump sum, among other factors. Annuity payments are taxed as ordinary income in the year in which they are received. You are responsible for paying these income taxes, which you can do by having taxes withheld from your pension payments. Alternatively, you can elect in writing on the appropriate form not to have taxes withheld.

Lump sums are treated differently. If you elect a lump sum distribution, you have three choices for your payout:

- Request a Direct Rollover to an IRA or another employer's qualified plan, in which case you continue to defer paying taxes; or
- Take it in cash, in which case it is considered taxable income, and 20% for federal taxes must automatically be withheld; or

  Note: With this option you still have 60 days to roll over your lump sum distribution to an IRA or other qualified plan.
- Split your distribution to have some directly rolled over and some paid in cash with taxes withheld.

If you choose not to roll over your lump sum, you are responsible for paying the income taxes that apply in the year you receive your payment.

TEN-YEAR FORWARD AVERAGING. This special tax treatment is available only if you were at least age 50 before January 1, 1986 and you have at least five years of Pension Plan participation. In general, ten year forward averaging can prevent payment of your benefits from forcing you into a higher tax bracket. You can take advantage of this tax treatment only once. (Five-year forward averaging was repealed effective January 1, 2000.)

CAPITAL GAINS TREATMENT. Capital gains treatment, in which income is taxed at a special low rate, is limited to the portion of your lump sum attributable to pre-1974 service. It's generally available only if you were at least age 50 before January 1, 1986. If you elect capital gains treatment on pre-1974 amounts, the rest of your lump sum may be taxed as ordinary income or under the 10-year forward averaging rules.

Excise tax. Current tax law imposes a 10% penalty on any lump sum distribution made before age 59-1/2. The excise tax does not apply under certain circumstances, including the following:

- You retire under the Early Retirement provisions of this Plan (minimum age 55 and 15 years of service);
- A termination distribution is made to you during or after the year in which you reach age 55;
- You are 59-1/2 or older;
- The distribution is made to your beneficiary in the event of your death;
- You become totally and permanently disabled, which is defined as qualifying for Social Security disability benefits;
- The distribution is rolled over to another tax-favored plan, such as a rollover IRA or other qualified plan either as a direct rollover or within 60 days after you receive the distribution;
- The distribution is used for tax deductible medical expenses (that is, those expenses that are greater than 7.5% of your adjusted gross income); or
- Payment is made to an alternate payee, as mandated by a Qualified Domestic Relations Order (QDRO).

Tax laws are complicated and subject to change. Individual tax treatment can vary greatly from employee to employee. The rules described above are complex and contain many conditions and exceptions that are not included in this summary. Therefore, you should consult a professional tax counselor or financial advisor before electing or receiving a distribution.

See the Special Tax Notice Regarding Plan Payments section for more information.

PLAN FACTS

The previous sections of the Sourcebook describe the most important features of the Pension Plan. They've been written in everyday language here, but the Plan is governed by a legal, very formal, document. We tell you this in case there is ever any difference between what the plan document says and the way we've described the plan here, because if that happens, it is the Plan document that is followed in determining your benefits.

There are also a number of other facts you should know about the administration of our benefits. While we think you should be aware of all of this information, and would have given it to you anyway, the Company is actually required by law to present it to you, in some cases in the words and format you'll find here.

PBGC DISCLOSURE AND ERISA RIGHTS

INSURED PENSION BENEFITS

Our Pension Plan is a defined benefit plan, which means the benefit you receive at retirement is set by a formula based on your credited service for benefit purposes and your earnings. Your pension benefits under the Pension Plan are insured by the Pension Benefit Guaranty Corporation (PBGC), a federal agency.

If the Pension Plan terminates (ends) without enough money to pay all benefits, the PBGC will step in to pay pension benefits. Most people receive all of the pension benefits they would have received under their plan, but some people may lose certain benefits.

The PBGC generally covers: (1) normal and early retirement benefits; (2) disability benefits if you become disabled before the Pension Plan terminates; and (3) certain benefits for your survivors.

The PBGC generally does not cover: (1) benefits greater than the maximum guaranteed amount set by law for the year in which the plan terminates; (2) 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 plan terminates; (3) benefits that are not vested because you have not worked long enough for Northern Trust; (4) benefits for which you have not met all of the requirements at the time the plan terminates; and (5) non-pension benefits, such as health insurance, life insurance, certain death benefits, vacation pay and severance pay.

Even if certain of your benefits are not guaranteed, you still may receive some of those benefits from the PBGC depending on how much money the Pension Plan has and on how much the PBGC collects from employers.

For more information on PBGC and the benefits it guarantees, ask the Benefits Division or contact the PBGC's Technical Assistance Division at 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 asked 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.

YOUR RIGHTS UNDER ERISA

Northern Trust has prepared this Sourcebook to help you understand how the Pension Plan works, the benefits it provides, and the steps you must follow to take full advantage of them. The Employee

Retirement Income Security Act of 1974 (ERISA) also provides you with certain rights regarding your Northern Trust benefits.

As a participant in the Pension Plan described in this booklet, you are entitled to certain rights and protections under ERISA, which provide that all participants shall be entitled to:

RECEIVE INFORMATION ABOUT YOUR PLAN AND BENEFITS

- Examine, without charge, at the plan administrator's office all documents governing the Plan, including insurance contracts and a copy of the latest annual report (Form 5500 series) filed by the plan 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 all documents governing the operation of the plan, including insurance contracts, copies of the latest annual report (Form 5500 series), and updated summary plan description. The plan administrator may make a reasonable charge for the copies.
- Receive a summary of the plan's annual financial report. The plan administrator is required by law to furnish each participant with a copy of this summary annual report.
- Obtain a statement telling you whether you have a right to receive a benefit at the normal retirement age (age 65) and, if so, what your 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 must 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 must provide the statement free of charge.

PRUDENT ACTIONS BY PLAN FIDUCIARIES

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

ENFORCE YOUR RIGHTS

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 these rights. For instance, if you request a copy of plan documents or the latest annual report from the plan 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 per 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. In addition, if you disagree with the plan's decision or lack thereof concerning the qualified status of a domestic relations order you may file suit in federal court.

If it should happen that the plan's fiduciaries misuse 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 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 that your claim is frivolous.

ASSISTANCE WITH YOUR QUESTIONS

If you have any questions about your plan, you should contact the Benefits Division. If you have any questions about this statement or 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.

FUTURE OF THE PLAN

Northern reserves the right to amend, modify, suspend, or terminate any or all of its benefit plans, including the Pension Plan, at any time. If the Pension Plan is terminated, you will automatically be considered fully vested in the benefits you had earned as of the termination date.

TAX LAWS

The Plan is governed by the rulings of the Internal Revenue Service and current tax laws. If there are any changes in the current laws or in the IRS rulings, the Plan will be amended to stay in compliance.

OWNERSHIP OF BENEFITS

The benefits described here are exclusively for Northern Trust plan participants and their beneficiaries. You cannot assign, transfer, or sell your benefits for any reason except as provided by law. For example, if a Qualified Domestic Relations Order (QDRO) affects your Pension, benefits may be payable to someone other than your designated beneficiary. (A QDRO is a court order providing for child support, alimony or marital property rights to a spouse, former spouse, child or other dependent, according to a state domestic relations law.) See page 47 for more information about QDROs.

HOW BENEFITS CAN BE FORFEITED OR DELAYED

The Pension Plan is designed to provide you with a source of retirement income. But there are certain situations under which benefits can be forfeited or delayed. Most of these circumstances are spelled out in this Sourcebook, but you can also forfeit or delay payment of your benefit if:

- You (or your beneficiary) do not provide your benefit payment authorization and initiate an application for Pension Plan benefits;
- You do not furnish information requested to complete or verify your application for benefits; or
- Your current address is not on file with the HR Service Center.

CLAIMS PROCEDURES

If you believe you are entitled to benefits that were not provided, you (or your authorized representative) may file a written claim for benefits with the Employee Benefit Administrative Committee (the "Committee") at the address shown below. Within 90 days after receipt of your claim (or within 180 days if special circumstances apply and the Committee notifies you in writing of such extension), the Benefits Division will provide you with a written or electronic notice of the Committee's determination. If the Committee makes an adverse benefit determination (ABD) regarding the claim, the notice will explain:

- The specific reasons for the ABD;
- Specific reference to pertinent Plan provisions on which the ABD is based;
- A description of any additional material or information necessary for you to perfect the claim and an explanation of why such material or information is necessary; and
- A description of the Plan's review procedures and the time limits applicable to those procedures, including a statement of your right to bring a civil action under section 502(a) of ERISA following an ABD on review.

If you are dissatisfied with the initial determination of the Committee, you or your authorized representative may make a written appeal to the Committee requesting that the claim be reconsidered. Your appeal must be filed within 60 days of the date you receive the notice of the ABD. In connection with your appeal, you (or your authorized representative) may review any pertinent Plan documents and submit comments, documents, records or other information relating to your claim in writing.

Upon your request (and free of charge), the Committee will provide you reasonable access to and copies of all documents, records or other information relevant to your claim. The Committee will then make a full and fair review of the ABD regarding your claim according to the provisions of the Plan, no later than 60 days after receipt of your request for review, (120 days if special circumstances apply and the Committee notifies you in writing of such extension).

The Committee will provide you or your authorized representative with written or electronic notification of the benefit determination on review. If the Committee makes an ABD on review, the notice will include:

- The specific reasons for the ABD;
- Specific reference to pertinent Plan provisions on which the ABD 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 and other information relevant to your claim; and
- A statement of your right to bring a civil action under section 502(a) of ERISA.

In each instance, the Committee's decision on appeal will be final and binding on all parties.

Please note that the Committee has full discretion and authority to construe and interpret all provisions of this Sourcebook and the Plan.

You may not bring a legal or equitable action in any court under the Pension Plan until the claim and appeal rights described in this Sourcebook have been exercised and exhausted, and the eligibility or benefits requested in the appeal have been denied, in whole or in part. In addition, if you do not raise a particular issue or issues related to your claim for eligibility, benefits or any other matter during the claim and appeal process, you will not be permitted to raise that issue or issues in any action that you may bring in court.

PLAN FACTS

Official Name	The Northern Trust Company Pension Plan
Type of Plan	Defined benefit plan
Employer/Plan Sponsor	The Northern Trust Company 50 South LaSalle Street Chicago, Illinois 60603 (312) 630-6000

A complete list of participating employers may be obtained from the Plan Administrator.

Employer Identification Number (EIN)	36-1561860
Plan Number	001
Plan Administrator	The Northern Trust Company Employee Benefit Administrative Committee 50 South LaSalle Street, M-8 Chicago, Illinois 60603 (312) 630-6000
Plan Year	January 1 - December 31
Funding Medium	Trust Agreement
Trustee	The Northern Trust Company 50 South LaSalle Street Chicago, IL 60603
Source of Contributions	Company Contributions
Agent for Service of Legal Process	Any attorney in the Legal department of The Northern Trust Company at the above address.

SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS

Revised January 2015

This notice explains how you can continue to defer federal income tax on your retirement benefit from The Northern Trust Company Pension Plan (the "Plan") and contains important information you will need before you decide how to receive your Plan benefits.

YOUR ROLLOVER OPTIONS

You are receiving this notice because all or a portion of a payment you are receiving from the Plan is eligible to be rolled over to an IRA or an employer plan. This notice is intended to help you decide whether to do such a rollover.

This notice describes the rollover rules that apply to payments from the Plan that are not from a designated Roth account (a type of account with special tax rules in some employer plans).

Rules that apply to most payments from a plan are described in the "General Information About Rollovers" section. Special rules that only apply in certain circumstances are described in the "Special Rules and Options" section.

GENERAL INFORMATION ABOUT ROLLOVERS

HOW CAN A ROLLOVER AFFECT MY TAXES?

You will be taxed on a payment from the Plan if you do not roll it over. If you are under age 59½ and do not do a rollover, you will also have to pay a 10% additional income tax on early distributions (unless an exception applies). However, if you do a rollover, you will not have to pay tax until you receive payments later and the 10% additional income tax will not apply if those payments are made after you are age 59½ (or if an exception applies).

WHERE MAY I ROLL OVER THE PAYMENT?

You may roll over the payment to either an Individual Retirement Account or Individual Retirement Annuity (IRA) or an employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457(b) plan) that will accept the rollover. The rules of the IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the IRA or employer plan (for example, no spousal consent rules apply to IRAs and IRAs may not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the IRA or employer plan.

HOW DO I DO A ROLLOVER?

There are two ways to do a rollover. You can do either a direct rollover or a 60-day rollover.

If you do a direct rollover, the Plan will make the payment directly to your IRA or an employer plan. You should contact the IRA sponsor or the administrator of the employer plan for information on how to do a direct rollover.

<u>If you do not do a direct rollover</u>, you may still do a rollover by making a deposit into an IRA or eligible employer plan that will accept it. You will have 60 days after you receive the payment to make the deposit. If you do not do a direct rollover, the Plan is required to withhold 20% of the payment for federal income taxes (up to the amount of cash and property received other than employer stock). This means that, in order to roll over the entire payment in a 60-day rollover, you must use other funds to make up for the 20% withheld. If you do not roll over the entire amount of the payment, the portion not rolled over will be taxed and will be subject to the 10% additional income tax on early distributions if you are under age 59½ (unless an exception applies).

HOW MUCH MAY I ROLL OVER?

If you wish to do a rollover, you may roll over all or part of the amount eligible for rollover. Any payment from the Plan is eligible for rollover, except:

- Certain payments spread over a period of at least 10 years or over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary)
- Required minimum distributions after age 70½ (or after death)

The HR Service Center should be able to tell you what portion of a payment is eligible for rollover.

IF I DON'T DO A ROLLOVER, WILL I HAVE TO PAY THE 10% ADDITIONAL INCOME TAX ON EARLY DISTRIBUTIONS?

If you are under age 59½, you will have to pay the 10% additional income tax on early distributions for any payment from the Plan (including amounts withheld for income tax) that you do not roll over, unless one of the exceptions listed below applies. This tax is in addition to the regular income tax on the payment not rolled over.

The 10% additional income tax does not apply to the following payments from the Plan:

- Payments made after you separate from service if you will be at least age 55 in the year of the separation
- Payments that start after you separate from service if paid at least annually in equal or close to equal amounts over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary)
- Payments made due to disability
- Payments after your death
- Payments made directly to the government to satisfy a federal tax levy
- Payments made under a Qualified Domestic Relations Order (QDRO)
- Payments up to the amount of your deductible medical expenses
- Certain payments made while you are on active duty if you were a member of a reserve component called to duty after September 11, 2001 for more than 179 days

IF I DO A ROLLOVER TO AN IRA, WILL THE 10% ADDITIONAL INCOME TAX APPLY TO EARLY DISTRIBUTIONS FROM THE IRA?

If you receive a payment from an IRA when you are under age 59½, you will have to pay the 10% additional income tax on early distributions from the IRA, unless an exception applies. In general, the exceptions to the 10% additional income tax for early distributions from an IRA are the same as the exceptions listed above for early distributions from a plan. However, there are a few differences for payments from an IRA, including:

- There is no exception for payments after separation from service that are made after age 55.
- The exception for Qualified Domestic Relations Orders (QDROs) does not apply (although a special rule applies under which, as part of a divorce or separation agreement, a tax-free transfer may be made directly to an IRA of a spouse or former spouse).
- The exception for payments made at least annually in equal or close to equal amounts over a specified period applies without regard to whether you have had a separation from service.
- There are additional exceptions for (1) payments for qualified higher education expenses, (2) payments up to $10,000 used in a qualified first-time home purchase, and (3) payments for health insurance premiums after you have received unemployment compensation for 12 consecutive weeks.

WILL I OWE STATE INCOME TAXES?

This notice does not describe any State or local income tax rules.

SPECIAL RULES AND OPTIONS

IF YOUR PAYMENT INCLUDES AFTER-TAX CONTRIBUTIONS

After-tax contributions included in a payment are not taxed. If a payment is only part of your benefit, an allocable portion of your after-tax contributions is included in the payment, so you cannot take a payment of only after-tax contributions. However, if you have pre-1987 after-tax contributions maintained in a separate account, a special rule may apply to determine whether the after-tax contributions are included in a payment. In addition, special rules apply when you do a rollover, as described below.

You may roll over to an IRA a payment that includes after-tax contributions through either a direct rollover or a 60-day rollover. You must keep track of the aggregate amount of the after-tax contributions in all of your IRAs (in order to determine your taxable income for later payments from the IRAs). If you do a direct rollover of only a portion of the amount paid from the Plan and at the same time the rest is paid to you, the portion directly rolled over consists first of the amount that would be taxable if not rolled over. For example, assume you are receiving a distribution of $12,000, of which $2,000 is after-tax contributions. In this case, if you directly roll over $10,000 to an IRA that is not a Roth IRA, no amount is taxable because the $2,000 amount not directly rolled over is treated as being after-tax contributions. If you do a direct rollover of the entire amount paid from the Plan to two or more destinations at the same time, you can choose which destination receives the after-tax contributions.

If you do a 60-day rollover to an IRA of only a portion of a payment made to you, the after-tax contributions are treated as rolled over last. For example, assume you are receiving a distribution of $12,000, of which $2,000 is after-tax contributions, and no part of the distribution is directly rolled over. In this case, if you roll over $10,000 to an IRA that is not a Roth IRA in a 60-day rollover, no amount is taxable because the $2,000 amount not rolled over is treated as being after-tax contributions.

You may roll over to an employer plan all of a payment that includes after-tax contributions, but only through a direct rollover (and only if the receiving plan separately accounts for after-tax contributions and is not a governmental section 457(b) plan). You can do a 60-day rollover to an employer plan of part of a payment that includes after-tax contributions, but only up to the amount of the payment that would be taxable if not rolled over.

IF YOU MISS THE 60-DAY ROLLOVER DEADLINE

Generally, the 60-day rollover deadline cannot be extended. However, the IRS has the limited authority to waive the deadline under certain extraordinary circumstances, such as when external events prevented you from completing the rollover by the 60-day rollover deadline. To apply for a waiver, you must file a private letter ruling request with the IRS. Private letter ruling requests require the payment of a nonrefundable user fee. For more information, see IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs).

IF YOU WERE BORN ON OR BEFORE JANUARY 1, 1936

If you were born on or before January 1, 1936 and receive a lump sum distribution that you do not roll over, special rules for calculating the amount of the tax on the payment might apply to you. For more information, see IRS Publication 575, Pension and Annuity Income.

IF YOU ROLL OVER YOUR PAYMENT TO A ROTH IRA

If you roll over the payment from the Plan to a Roth IRA, a special rule applies under which the amount of the payment rolled over (reduced by any after-tax amounts) will be taxed. However, the 10% additional income tax on early distributions will not apply (unless you take the amount rolled over out of the Roth IRA within 5 years, counting from January 1 of the year of the rollover).

If you roll over the payment to a Roth IRA, later payments from the Roth IRA that are qualified distributions will not be taxed (including earnings after the rollover). A qualified distribution from a Roth IRA is a payment made after you are age 59½ (or after your death or disability, or as a qualified first-time homebuyer distribution of up to $10,000) and after you have had a Roth IRA for at least 5 years. In applying this 5-year rule, you count from January 1 of the year for which your first contribution was made to a Roth IRA. Payments from the Roth IRA that are not qualified distributions will be taxed to the extent of earnings after the rollover, including the 10% additional income tax on early distributions (unless an exception applies). You do not have to take required minimum distributions from a Roth IRA during your lifetime. For more information, see IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs), and IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs).

IF YOU ARE NOT A PLAN PARTICIPANT

Payments after death of the participant. If you receive a distribution after the participant's death that you do not roll over, the distribution will generally be taxed in the same manner described elsewhere in this notice. However, the 10% additional income tax on early distributions does not apply, and the special rule described under the section "If you were born on or before January 1, 1936" applies only if the participant was born on or before January 1, 1936.

If you are a surviving spouse.

If you receive a payment from the Plan as the surviving spouse of a deceased participant, you have the same rollover options that the participant would have had, as described elsewhere in this notice. In addition, if you choose to do a rollover to an IRA, you may treat the IRA as your own or as an inherited IRA.

An IRA you treat as your own is treated like any other IRA of yours, so that payments made to you before you are age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies) and required minimum distributions from your IRA do not have to start until after you are age 70½.

If you treat the IRA as an inherited IRA, payments from the IRA will not be subject to the 10% additional income tax on early distributions. However, if the participant had started taking required minimum distributions, you will have to receive required minimum distributions from the inherited IRA. If the participant had not started taking required minimum distributions from the Plan, you will not have to start receiving required minimum distributions from the inherited IRA until the year the participant would have been age 70½.

If you are a surviving beneficiary other than a spouse.

If you receive a payment from the Plan because of the participant's death and you are a designated beneficiary other than a surviving spouse, the only rollover option you have is to do a direct rollover to an inherited IRA. Payments from the inherited IRA will not be subject to the 10% additional income tax on early distributions. You will have to receive required minimum distributions from the inherited IRA.

Payments under a Qualified Domestic Relations Order (QDRO). If you are the spouse or former spouse of the participant who receives a payment from the Plan under a QDRO, you generally have the same options the participant would have (for example, you may roll over the payment to your own IRA or an eligible employer plan that will accept it). Payments under the QDRO will not be subject to the 10% additional income tax on early distributions.

IF YOU ARE A NONRESIDENT ALIEN

If you are a nonresident alien and you do not do a direct rollover to a U.S. IRA or U.S. employer plan, instead of withholding 20%, the Plan is generally required to withhold 30% of the payment for federal income taxes. If the amount withheld exceeds the amount of tax you owe (as may happen if you do a 60-day rollover), you may request an income tax refund by filing Form 1040NR and attaching your Form 1042-S. See Form W-8BEN for claiming that you are entitled to a reduced rate of withholding under an income tax treaty. For more information, see also IRS Publication 519, U.S. Tax Guide for Aliens, and IRS Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities.

OTHER SPECIAL RULES

You may have special rollover rights if you recently served in the U.S. Armed Forces. For more information, see IRS Publication 3, Armed Forces' Tax Guide.

FOR MORE INFORMATION

You may wish to consult with the Plan administrator, payor, or a professional tax advisor, before taking a payment from the Plan. Also, you can find more detailed information on the federal tax treatment of payments from employer plans in: IRS Publication 575, Pension and Annuity Income; IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs); IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs); and IRS Publication 571, Tax-Sheltered Annuity Plans (403(b) Plans). These publications are available from a local IRS office, on the web at www.irs.gov, or by calling 1-800-TAX-FORM.