Huntington
Ingalls
Industries

*Hard Stuff Done Right™*

# 2019
# Huntington Ingalls Industries Cash Balance Program
# Summary Plan Description

**January 1, 2019**

## Table of Contents

## Introduction

Effective March 31, 2011, Huntington Ingalls Industries, Inc. (“HII”) was spun-off from Northrop Grumman Corporation (“Northrop Grumman”). In connection with the spin-off, HII established the Huntington Ingalls Industries Cash Balance Program, which is substantially similar to the Northrop Grumman Cash Balance Program. In addition, HII established retirement plans substantially similar to the retirement plans that comprised the Northrop Grumman Cash Balance Program.

As a result, some historical terms, which are necessary to determine eligibility and benefits, have been retained in the documents and this Summary Plan Description (“SPD”). For example, the terms “Cash Balance Program” or “Program” mean the Northrop Grumman Cash Balance Program when referring to periods before March 31, 2011, and mean the Huntington Ingalls Industries Cash Balance Program on and after such date. Likewise, the term “Company” means Northrop Grumman Corporation before March 31, 2011 and Huntington Ingalls Industries, Inc. or HII on and after such date.

Knowing your retirement will be financially secure and comfortable is important to you — and to HII.

To help you reach your long-term financial goals, the Company provides the Huntington Ingalls Industries Cash Balance Program, which is described in this SPD. It works together with Social Security and your personal savings (including your 401(k) savings) to provide part of your retirement income.

This SPD describes the Program’s cash balance feature. If you were a participant in a historical pension plan that was amended to include the cash balance feature described in this SPD, you may be eligible to accrue a “transition” benefit. See the “Transition Benefits” supplement for details. For a description of your historical pension plan benefit, please refer to the appropriate supplement to this SPD, available at HII Benefits Connect at http://hiibenefits.com, click on “Benefits Overview” and then click on “Summary Plan Descriptions”. You can also request plan documents from the Huntington Ingalls Benefits Center (HIBC) for a fee.

If you have questions about anything not answered in this SPD (or your historical plan supplement to this SPD and transition supplement, if applicable), go to HII Benefits Connect at http://hiibenefits.com and click on the UPoint button or call the Huntington Ingalls Benefits Center (HIBC) at 1-877-216-3222. If you are calling from outside the United States, please call 408-916-9765. You will need your password to secure your call. Benefits service representatives are available to assist you Monday through Friday from 9:00 a.m. to 6:00 p.m. Eastern time, excluding holidays. If you are hearing impaired, you will need to use a relay service through your TTY/TDD service provider.

Note: If you are hired on or after July 1, 2008, you are not eligible to participate in the Program. Instead, you may be eligible to receive a Company contribution to a retirement account in the Huntington Ingalls Industries Savings Plan. See the Huntington Ingalls Industries Savings Plan SPD for details.

HII reserves the right to suspend and/or reduce benefit accruals under the Huntington Ingalls Industries Cash Balance Program. It also may amend or terminate the Program at any time. You will be notified of any significant amendments to the Program.

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

The actual terms of the Program are contained in the Plan documents, which are available from the HIBC.

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

HII (also referred to as the “Company” in this SPD) refers to Huntington Ingalls Industries, Inc. and its 80%-owned subsidiaries and affiliates.

## About the Cash Balance Program

The Cash Balance Program refers to certain individual pension plans that were amended to incorporate a cash balance feature as of the dates indicated below. These amended plans, also listed in the following table, are referred to as the "historical plans." The date the historical plan was amended to incorporate a cash balance feature is referred to as the "Program effective date" (or the "cash balance effective date"). For reference, the following table reflects the names of the plans as they existed on the cash balance date (that is, before similar versions of the plans were adopted by HII, or in the case of the HII Newport News Shipbuilding, Inc. Retirement Plan, before such plan was transferred to HII.)

| Historical Plan | Program Effective Date (cash balance effective date) |
|---|---|
| ▪ Northrop Grumman Pension Plan<br>▪ Northrop Grumman Electronic Systems — Space Division Consolidated Pension Plan<br>▪ Northrop Grumman Retirement Plan "B"* | July 1, 2003 |
| ▪ Newport News Shipbuilding, Inc. Retirement Plan*** | January 1, 2004 |
| ▪ Northrop Grumman Space & Mission Systems Corp. Salaried Pension Plan<br>▪ Northrop Grumman Retirement Plan "B" — Synoptics employees only**<br>▪ Northrop Grumman Electronic Systems Union Represented Employees Pension Plan — applies to Kings Bay participants as of December 31, 2004 only | January 1, 2005 |

* Excludes Corporate Technologies and Premier America Credit Union employees.

** This group transferred from the Northrop Grumman Retirement Plan "A" to the Northrop Grumman Retirement Plan "B" on January 1, 2005.

*** Plan sponsorship of the HII Newport News Shipbuilding, Inc. Retirement Plan transferred to HII effective as of the spin-of HII from Northrop (described in the Introduction).

The cash balance feature in the Northrop Grumman Electronic Systems Union Represented Employees Pension Plan is effective January 1, 2005, and generally applies only to eligible employees hired on or after January 1, 2005. For these employees, the Northrop Grumman Electronic Systems Union Represented Employees Pension Plan is not a "historical" plan for purposes of this SPD. For reference, effective March 31, 2011, the Company established a similar version of this plan, the Huntington Ingalls Industries Electronic Systems Union Represented Employees Pension Plan. This SPD, the attached "Huntington Ingalls Industries Electronic Systems Union Represented Employees Cash Balance Plan Supplement," and any applicable SMMs constitute the SPD for the cash balance feature of such plan.

The cash balance feature of the Northrop Grumman Electronic Systems Union Represented Employees Pension Plan also applies to certain Kings Bay employees referenced above. For those employees, that plan is considered a "historical plan" under this SPD.

Both of the plans referenced below are a separate legal plan ("Plan") for funding, reporting, and other purposes. Huntington Ingalls Industries Retirement Plan "B" consists of supplements and sub-plans that are separate arrangements providing distinct benefit structures under a single legal Plan.

The following chart lists the supplements and sub- plans, if any, that adopted the cash balance feature associated with Huntington Ingalls Industries Retirement Plan "B".

| Legal Plan | Supplement | Sub-Plans |
|---|---|---|
| ***Huntington Ingalls Industries Retirement Plan "B"*** | Northrop Grumman Retirement Plan "B" (formerly known as Litton Industries, Inc. Retirement Plan "B") | ▪ HII Newport News Shipbuilding and Dry Dock Company — Pension Plan for Certain Former Employees of Greeneville Industries, Inc.<br>▪ Huntington Ingalls Industries Avondale Engineering and Construction Co. Represented Pension Plan |
| | Ingalls Shipbuilding, Inc. Salaried Employees' Retirement Plan | Not applicable |
| | Avondale Industries, Inc. Non- Represented Employees' Pension Plan (this plan became a sub-plan of the Northrop Grumman Retirement Plan "B" on July 1, 2003) | Not applicable |
| | Huntington Ingalls Industries Electronic Systems Union Represented Employees Pension Plan | ▪ Huntington Ingalls Industries Electronic Systems Union Represented Employees Cash Balance Plan |
| | Huntington Ingalls Industries Pension Plan | ▪ Northrop Grumman Retirement Plan<br>▪ Grumman Pension Plan<br>▪ Northrop Grumman Electronic Systems Pension Plan<br>▪ Northrop Grumman Retirement Plan — Rolling Meadows Site<br>▪ Northrop Grumman Retirement Value Plan (RVP) |
| | Huntington Ingalls Industries Electronic Systems — Space Division Consolidated Pension Plan | ▪ Huntington Ingalls Industries Electronic Systems — Space Division Union Employees' Pension Plan (Aerojet)<br>▪ Huntington Ingalls Industries Electronic Systems — Space Division Consolidated Pension Plan (Covering Union Employees Only) (Aerojet)<br>▪ Huntington Ingalls Industries Electronic Systems — Space Division Consolidated Pension Plan (Covering Salaried Employees Only) (Aerojet) |
| | Huntington Ingalls Industries Space & Mission Systems Corp. Salaried Pension Plan | Not applicable |
| ***HII Newport News Shipbuilding, Inc. Retirement Plan*** | Not applicable | |

## Your Benefit at Retirement

Your benefit may consist of up to three parts, depending on your historical plan (if any) and when you became eligible to participate:

- Part A — this is the historical benefit earned prior to the Program effective date
- Part B or C — these are the transition benefits
- Part D — this is the benefit earned under the cash balance feature only.

Refer to your historical plan supplement to this SPD if you are eligible for a Part A benefit.* Also refer to the "Transition Benefits" supplement to see if you are eligible for the greater of Parts B or C. If you are eligible for a Part B or C benefit, refer to both the historical plan supplement to this SPD and the "Transition Benefits" supplement for further details. Unless specified otherwise, this document details the benefits earned under the cash balance feature (Parts C and D).

You earn credits toward a pension benefit that is payable after you leave the Company and reach the Program's retirement age. Two kinds of credits are provided by the Company each month:

- Pay-based credits, which are based on your age, your years of credited service, and your pay.
- Interest credits, which are based on the value of your benefit and the Program's interest credit rates.

* Your historical plan supplement to this SPD will provide you with information about your Parts A and B benefit (including the normal and early retirement ages for your Parts A and B benefit, which may be different than your normal retirement age for your Parts C and D benefit described in this SPD).

## Overview

### *Eligibility*

You are generally eligible to participate in the Cash Balance Program if:

- You are in a covered position reported on payroll records as a full-time or part-time employee of a participating business unit,
- Your date of hire is prior to July 1, 2008, and
- You are an employee in one of the following entities on March 31, 2011.

| Entity Description | Entity Code |
|---|---|
| *Avondale Industries, Inc.* | 130 |
| *Northrop Grumman Ship Systems International, Inc.* | 144 |
| *Northrop Grumman Ship Systems, Inc.* | 146 |
| *Northrop Grumman Shipbuilding, Inc. NNS home office* | 265 |
| *HII San Diego Shipyard Inc. (previously known as Continental Maritime of San Diego, Inc.)* | 269 |
| *Newport News Shipbuilding Inc.* | 270 |
| *HII Mechanical Inc. (previously known as Newport News Industrial Corporation)* | 272 |
| *Newport News Nuclear Inc.* | 473 |
| *HII Fleet Support Group LLC (previously known as AMSEC LLC)* | 480 |
| *HII Energy Inc. (previously known as Newport News Energy Company)* | 492 |
| *Avondale Engineering and Construction Co.* | 513 |

For Avondale Engineering and Construction Co., you must be an employee on or after July 7, 2014.

The complete list of participating business units (including for purposes of determining historical plan assignments, if applicable) is contained in the legal Plan document. As of the spin-off, participants may be identified in a different entity as determined by HII.

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

- Employees covered by a collective bargaining agreement that does not provide for participation
- Leased employees
- Nonresident aliens (non-U.S. citizens who reside abroad)
- Covered by special contracts (refer to your human resources representative for details)
- Employed by a business unit that has not chosen to participate in the Cash Balance Program (refer to your human resources representative for details)
- Employees who are active participants in any other qualified defined benefit pension plan that is maintained by an Affiliated Company or to which an Affiliated Company makes contributions
- Otherwise ineligible under the rules of the Program.

Special rules apply to employees whose status changes from represented to non-represented and vice versa:

- A non-represented employee participating in the Program who becomes represented after July 1, 2003, as a result of union certification may continue to participate in the Program
- A non-represented employee participating in the Program who becomes represented after July 1, 2003, as a result of promotion, transfer, or demotion to a represented position will no longer participate and accrue benefits in the Program as of the date of becoming a represented employee
- A represented employee who becomes non-represented at a participating business unit after July 1, 2003, and before April 1, 2019, as a result of promotion, transfer, or demotion to a non-represented position will participate in the Program as of the date of becoming a non-represented employee, unless otherwise ineligible to participate. Effective April 1, 2019, a represented employee who becomes a non-represented employee at a participating business unit as a result of promotion, transfer, or demotion is ineligible to participate.
- A represented employee who becomes non-represented after July 1, 2003, as a result of decertification of a bargaining unit is ineligible to participate in the Program.

## *Certain Rehires and Transfers Occurring On or After July 1, 2018*

If you become an employee of any of the following entities, including via rehire or transfer, on or after July 1, 2018, you shall cease to participate in the Program:

| Entity Description | Entity Code |
|---|---|
| *HII Mission Driven Innovative Technical Services LLC (previously known as Camber Technical Services LLC)* | 531 |
| *HII Mission Driven Innovative Solutions Inc.* | 527, 529, 531 |
| *Veritas Analytics, Inc.* | 529 |
| *UniversalPegasus International, Inc.* | 604 |
| *Universal Ensco Inc.* | 601 |
| *HII Unmanned Maritime Systems Inc. (previously known as Undersea Solutions Corporation)* | 519 |

## *Certain Rehires and Transfers After July 1, 2018*

If you become an employee of the following entities, including via rehire or transfer, after July 1, 2018, you shall cease to participate in the Program:

| Entity Description | Entity Code |
|---|---|
| *HII San Diego Shipyard Inc. (previously known as Continental Maritime of San Diego, Inc.)* | 269 |
| *HII Fleet Support Group LLC (previously known as AMSEC LLC)* | 480 |

## *Employees of Entities Acquired On or After August 1, 2009*

If you become an employee of the Company through any acquisition that occurs on or after August 1, 2009, you will not be eligible to participate in the Program.

If you have a question about your eligibility, call the HIBC at 1-877-216-3222.

## *Participation*

If you are an eligible employee, as described above, you automatically participate in the Cash Balance Program. There is nothing you need to do to enroll.

New employees hired prior to July 1, 2008 who were eligible for the Program became participants on their date of hire. If you are hired or rehired by a non-participating business unit before July 1, 2008, and you transfer to a participating business unit on or after July 1, 2008, but before April 1, 2019, you will be eligible to participate in the Program as of the date of transfer. Effective April 1, 2019, if you are hired be a non-participating business unit before July 1, 2008, and you transfer to a participating business unit on or after April 1, 2019, you will not be eligible to participate in the Program. If you are hired or rehired by a non-participating business unit on or after July 1, 2008, and you transfer to a participating business unit, you will not be eligible to participate in the Program.

New employees hired on or after July 1, 2008 are not eligible to participate in the Program. Instead, you may be eligible to receive a Company contribution to a Retirement Account in the Huntington Ingalls Industries Savings Plan. See the Huntington Ingalls Industries Savings Plan SPD for details.

If you are rehired on or after July 1, 2008, you will again begin to accrue a benefit in the Cash Balance Program for periods during which you are employed by a Program- participating entity if:

- You leave the Company on or after your Program effective date, are eligible for an early retirement benefit at the time you leave the Company, and are rehired within two years of your termination, or
- If your employment ended due to layoff and you are rehired within two years of your layoff date.

For purposes of the applying the above rules, if you (as an HII participant) terminated with the Northrop Grumman affiliated companies before the March 31, 2011 spinoff and are rehired by an HII affiliated company on or after the spin-off, you will accrue a benefit in the Huntington Ingalls Industries Cash Balance Program for periods during which you are employed by a Huntington Ingalls Industries Cash Balance Program participating entity based on the rules above. If, however, you are rehired by Northrop Grumman, you would be treated as a new hire and not eligible for a benefit. Your benefit, if any, would remain in the Huntington Ingalls Industries Cash Balance Program.

If you are rehired on or after July 1, 2008, and none of the above situations apply, you will treated as a new hire and may be eligible to accrue a benefit in the Retirement Account of the Huntington Ingalls Industries Savings Plan upon your rehire. See the Huntington Ingalls Industries Savings Plan SPD for details.

### *Program Cost*

The Company pays the entire cost of the Program — you do not make any contributions. All contributions are held in a trust for your benefit.

## Important Pension Concepts

The following basic pension plan concepts are necessary to understand your benefit from the Program.

### *Vesting and Vesting Service*

Vesting means you have earned a non-forfeitable right to your Cash Balance Program benefit. Vesting service is used to determine if you have a right to a vested benefit.

Generally, your vesting service includes employment with any member of the Company, subject to legal limitations. If you need help determining if your business unit is part of the Company, call the HIBC.

You earn a year of vesting service for each calendar year in which you complete 1,000 or more hours for which you are paid (or are entitled to be paid) by the Company (including paid sick leave, vacation time, jury duty and, in some cases, certain qualified leaves of absence, such as qualifying military leaves, and medical leaves up to two years from the beginning of the leave).

- If you terminate on or after January 1, 2008: If you are not otherwise vested, you are vested in your Company-provided benefit after completing three years of vesting service.
- If you terminate prior to January 1, 2008: You are vested in your Company- provided benefit after completing five years of vesting service.

Once you become vested, you are always vested. Even if you leave the Company before you are eligible to begin receiving a benefit, you are entitled to a retirement benefit from the Program if you are vested. If you leave the Company before you are vested, you forfeit your benefit. However, if you are rehired, you may be eligible to continue earning vesting service for your benefit. See “Breaks in Service” on page 13 for details.

## *Points*

Under the Cash Balance Program, your monthly pay-based credit is calculated based on your "points" — your age on the first day of the month plus your credited service on the last day of the prior month (rounded down to the nearest whole number). The following describes how age and service are determined under the Program.

### Age

Your age is calculated as of the first day of each month using the 16-day rule, up to four decimal places. Here is how:

- If you were born on or before the 16th of the month, your birth date is converted to the first day of the month (for example, April 14 is converted to April 1)

For example, let's assume:

- Birth date: August 7, 1962
- Age is calculated on: January 1, 2008.

Since the participant was born on the 7th, the date of birth is rounded down to the first of the same month, August 1, 1962.

| Calculation Date | - | Date of Birth | = | Age Used to Determine Points |
|---|---|---|---|---|
| January 1, 2008 | - | August 1, 1962 | = | 45 years, 5 months (or 45.4167) |

- If you were born after the 16th of the month, your birth date is converted to the first day of the following month (for example, April 20 is converted to May 1).

For example, let's assume:

- Birth date: December 19, 1965
- Age is calculated on: July 1, 2007.

Since this employee was born on the 19th, the date of birth is rounded up to the first of the following month — January 1, 1966.

| Calculation Date | - | Date of Birth | = | Age Used to Determine Points |
|---|---|---|---|---|
| July 1, 2007 | - | January 1, 1966 | = | 41 years, 6 months (or 41.5000) |

### Credited Service

Credited service is used to determine the amount of your benefit.

You accrue one month of credited service for each month you are a participant and you are entitled to be paid for one or more hours of work with a participating business unit of the Company. You also may earn credited service if you are not actively at work. See "What Happens to Your Benefit in Special Situations" on page 33 for details.

If you were hired after your Program effective date, credited service is calculated from your date of hire up to the last day of the month prior to the month for which you receive a benefit credit. For example, your October pay-based credit is based on a calculation of your credited service as of midnight on September 30.

For example, let's assume:

- Hire date: November 29, 2003
- Service is calculated on: December 31, 2003
- This employee has continuous service and is paid for working at least one hour in November and at least one hour in December.

In this example, credited service used to determine your points on January 1, 2004, based on your service through December 31, 2003, is two months, or 0.1667 (2 ÷ 12).

If you were hired before your Program effective date, you may also receive credited service for periods of time before you participated in the Cash Balance Program, including service with a former employer that merged with the Company, subject to the provisions of the applicable merger or acquisition agreement and the service crediting rules of your former employer's plan(s). Generally, your opening credited service is equal to your vesting service at the end of the calendar year prior to your Program effective date. If your Program effective date is July 1, 2003, you receive credit using the

Program's credited service rules from January 1, 2003 (or your hire date, if later) through June 30, 2003. However, there are several exceptions to this general rule:

- If your historical plan is the Northrop Grumman Retirement Value Plan (RVP), your opening credited service in the Cash Balance Program is equal to your credited service in the RVP on June 30, 2003.
- If your historical plan is the Avondale Industries, Inc. Pension Plan, your opening credited service in the Cash Balance Program is the same as the general rule, but using benefit service instead of vesting service.
- If your historical plan required employee contributions in order to accrue vesting service, your opening credited service is the sum of your vesting service as stated in the general rule plus any employment periods not counted in vesting service solely due to the fact that you were not contributing to the historical plan.
- If you did not participate in a defined benefit pension plan prior to accruing a benefit in the Cash Balance Program, your opening credited service is equal to your employment period (calculated under elapsed time rules) through your Program effective date.

## *Breaks in Service*

A break in service is a period during which you complete less than 501 vesting hours in a calendar year. If you experience five consecutive break-in-service years before you are vested:

- You forfeit your benefit under the Cash Balance Program, and
- You will be treated as a new hire for purposes of Program participation upon subsequent rehire. See "Participation" on page 10 for details.

If you are on an approved Family and Medical Leave Act (FMLA) Leave of Absence, you may not incur a break in service. To keep from incurring a break in service, you can receive credit for up to 501 hours. Your hours of service for this purpose are equal to the amount you would have received if you continued working. If that number cannot be determined, you receive eight hours for each day you are absent, up to a maximum of 501 hours, but you do not earn vesting service, credited service, or early retirement eligibility service during this period.

Hours for this purpose are usually credited during the calendar year in which your FMLA begins. However, if you do not need the hours to prevent a break in service during that year, the hours are credited toward the following calendar year.

For example, let's assume:

- You work 1,805 hours in 2007, then you go on family leave
- You are out on family leave for 12 weeks, from December 2007 through March 2008.

Because you worked more than 501 hours in 2007, you do not incur a break in service. When you return to work in March, you are credited with 480 hours (8 hours times 5 days times 12 weeks) toward the 501 hours needed to avoid a break in service in 2008. However, the 480 hours are not used to calculate vesting, credited, or early retirement eligibility service and are used only to avoid a break in service.

## *Pension-Eligible Compensation*

Pension-eligible compensation generally includes the following amounts:

- At sea pay
- Automatic rate progressions
- Base pay
- Bereavement pay
- Commissions
- Completion of work awards
- Cost-of-living adjustments for domestic hourly employees
- Disability leave pay
- Domestic and international hardship adjustments
- Domestic field bonus
- Domestic nonstandard work week pay
- Employee Retention Incentive (ERI) pay
- Extended work week pay
- Flight pay or flight time bonus
- Holiday pay
- Incentive bonuses, including ProPay
- Incentive Compensation Plan (ICP) bonus for elected officers
- International hardship allowance
- International hazardous duty allowance
- Jury duty leave pay
- Key Employee Achievement Program (KEAP) pay
- Key Employee Retention Plan (KERP) Pay
- Location allowance (international allowance incentive payments)
- Lump sum payments in lieu of a salary increase to the base rate
- MAP/TAP/PAP awards
- Military leave pay
- Overseas allowance
- Overtime pay
- Personal absence pay
- Personal leave pay
- Pooled time off pay
- Premium pay, including but not limited to:
  - Domestic field premium
  - Domestic firefighter premium
  - Domestic perimeter premium
  - Offsite premium-incentive only
  - Remote work site premium-incentives only
  - Team leader premium
- Program development bonus
- Program management bonus
- Results sharing bonus payments
- Retention bonuses
- Special assignment incentive pay
- Special performance awards including, but not limited to, acquisition bonus, patent/inventor award, program bonus, suggestion award, transition project bonus
- Shift differentials
- Sick leave pay
- Vacation pay
- Voting leave pay.

The above is only a partial listing of pay components that are included in pension-eligible compensation. The complete list is contained in the legal Plan document.

The Cash Balance Program excludes all other types of pay that are not specifically included in the "Pension-Eligible Compensation" list. For example, the following types of pay are excluded:

- Area differential pay
- Car allowance and miscellaneous expenses
- Compensation deferred by (or paid to) the participant under a nonqualified deferred compensation plan (including, but not limited to,
- Overtime meal reimbursement
- Parking reimbursement
- Per diem reimbursement or allowance
- Permanent separation allowance (payments or lump sum)
- Referral payments
- Retention payments made pursuant to an
- the Huntington Ingalls Industries Deferred Compensation Plan)
- Education/tuition reimbursement or payments
- Executive perquisites
- Expense reimbursement or allowances
- Foreign cost-of-living adjustments (COLAs), including overseas allowances, if used for COLA purposes
- Foreign shelter, furniture, transportation, and miscellaneous allowances
- Gross-up payments
- Hiring and signing bonus
- Home retention allowance
- Imputed income
- Instructor fees/stipends
- Insurance allowances
- Mileage and relocation reimbursement
- Moving expenses (including home sale)
- Opt-out dollars for medical, dental coverage
- agreement entered into by a participating business unit with an employee in exchange for the employee's agreement to waive his or her rights to a change in control severance plan or special agreement
- Severance pay of all kinds, including change in control severance payments
- Rideshare incentives
- Sick pay excess carryover limit pay
- Sick pay off during layoff/termination
- Special recognition retirement payments
- Spousal travel reimbursement or allowance
- Stock option compensation and other stock-based compensation
- Tax return preparation reimbursements
- Travel expense reimbursements
- Uniform allowance
- Vacation excess carryover limit pay
- Vacation pay off during layoff/termination
- Vacation reimbursement for unused purchased vacation
- Value of any non-cash awards
- Vanpool driver allowance
- WARN Act pay.

The above is only a partial listing of pay components that are excluded from pension- eligible compensation. The complete list is contained in the legal Plan document.

### *Non-Duplication of Benefits*

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

## Applying for Your Benefit

Once you decide on your retirement date, call the HIBC at 1-877-216-3222 or log in to HII Benefits Connect at http://hiibenefits.com and click on the UPoint button to begin the retirement process. In general, you must provide notice of your intent to retire and request your retirement kit at least two months prior to the date you want your retirement to begin (which can be the first day of any month). For example, if you want to begin your retirement on June 1, 2018, you must request your retirement kit by April 1, 2018.

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

If you provide a signed and dated note from your treating physician stating that you have a terminal illness and are not expected to survive more than six months, or some longer period of time as deemed acceptable by the Plan Administrator, from the date the written note is executed by the physician, then you will be permitted to provide notice of your intent to retire and request your retirement kit within the two-month period prior to the date you want your retirement to begin.

As a participant in the Program, it is your responsibility (or your surviving spouse's responsibility, if applicable) to request your retirement kit and start the retirement process. Your retirement date is the date you want to begin your pension benefit payments. Failure to call the HIBC or apply for retirement online through HII Benefits Connect at http://hiibenefits.com as described in this section may result in a delay in payment or even a forfeiture of benefits.

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

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

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

To complete the retirement process, you will need to sign a Pension Election Authorization form with your date of birth, your marital status, your beneficiary's date of birth (if applicable), and other information relevant to your retirement.

If you have a qualified domestic relations order (QDRO) that awards any part of your pension benefit to a former spouse, such order should be submitted to the HIBC well in advance of your retirement date in order to avoid a delay in processing your retirement. You may obtain a copy of the Program's procedures regarding QDROs free of charge by contacting the Domestic Relations Matters Group at 1-877-324-4255.

# How the Program Works

## *Your Benefit*

Your Cash Balance Program benefit grows through monthly credits provided by the Company:

- Pay-based credits
- Interest credits.

## *Pay-based Credits*

The Company provides a “pay-based credit” at the end of each month in which you are paid as a covered employee of a participating business unit. The amount of your pay- based credit is a percentage of your total pension-eligible compensation, based on your “points” — your age on the first day of the month plus your credited service on the last day of the prior month.

If applicable, you also receive an additional pay-based credit for your pay that exceeds the Social Security Wage Base (SSWB), which is s $128,400 in 2018. The SSWB is the maximum amount of pay subject to Social Security taxes each year and is updated annually by the Internal Revenue Service (IRS).

Your benefit may be calculated under two pay-based credit schedules:

- Standard or Heritage schedule, depending on your hire date and your eligibility for a transition (Part B or C) benefit, and
- Updated Cash Balance schedule.

For those participants accruing a Part C benefit, that benefit will continue to accrue under the applicable schedule (Standard or Heritage; refer to the “Transition Benefits” supplement to determine if you are eligible for the Heritage schedule of pay-based credits and to view that schedule). At the end of your transition period (see the chart under “Transition Period and Effective Dates for Updated Cash Balance Schedule of Pay-based Credits” on page 18), your Part D benefit will begin to accrue under the Updated Cash Balance schedule.

For all participants accruing only a Part D cash balance benefit on June 30, 2008, the Updated Cash Balance schedule will be effective July 1, 2008.

The Standard and Updated Cash Balance pay-based credit schedules are provided below. If you have questions regarding which schedule is used to determine your benefit, please call the HIBC.

**Schedule of Pay-based Credits**

| | **Standard Schedule** | | **Updated Cash Balance Schedule** | |
|---|---|---|---|---|
| *Points (Age + Years of Credited Service)* | *Pay-based Credit as a Percentage of Total Pension-eligible Compensation* | *Pay-based Credit as a Percentage of Pension-eligible Compensation over Social Security Wage Base* | *Pay-based Credit as a Percentage of Total Pension-eligible Compensation* | *Pay-based Credit as a Percentage of Pension-eligible Compensation Over Social Security Wage Base* |
| Under 25 | 4.5% | 4.5% | 3.5% | 4.0% |
| 25 — 34 | 5.0% | 4.5% | 4.0% | 4.0% |
| 35 — 44 | 5.5% | 4.5% | 4.5% | 4.0% |
| 45 — 54 | 6.0% | 4.5% | 5.0% | 4.0% |

| Schedule of Pay-based Credits | | | | |
|---|---|---|---|---|
| | **Standard Schedule** | | **Updated Cash Balance Schedule** | |
| *Points (Age + Years of Credited Service)* | *Pay-based Credit as a Percentage of Total Pension-eligible Compensation* | *Pay-based Credit as a Percentage of Pension-eligible Compensation over Social Security Wage Base* | *Pay-based Credit as a Percentage of Total Pension-eligible Compensation* | *Pay-based Credit as a Percentage of Pension-eligible Compensation Over Social Security Wage Base* |
| 55 — 64 | 6.5% | 4.5% | 5.5% | 4.0% |
| 65 — 74 | 7.0% | 4.5% | 6.5% | 4.0% |
| 75 — 84 | 7.5% | 4.5% | 7.5% | 4.0% |
| Over 84 | 8.0% | 4.5% | 9.0% | 4.0% |

## Transition Period and Effective Dates for Updated Cash Balance Schedule of Pay-based Credits

The chart below summarizes the transition period end dates for those eligible for a Part C benefit, and the corresponding effective date of the Updated Cash Balance pay-based credit schedule. Refer to the "Transition Benefits" supplement to determine your eligibility for the Part C benefit.

| Historical Plan | 5-year Transition Period | Effective Date of Updated Cash Balance Pay-based Credits |
|---|---|---|
| ▪ Huntington Ingalls Industries Pension Plan, including only the following sub-plans:<br>– Grumman Pension Plan<br>– Northrop Grumman Electronic Systems Pension Plan<br>– Northrop Grumman Retirement Plan<br>– Northrop Grumman Retirement Plan, Rolling Meadows Site<br>– Northrop Grumman Retirement Value Plan (RVP)*<br>▪ Huntington Ingalls Industries Retirement Plan "B", including only the following sub- plans:<br>– Huntington Ingalls Industries Electronic Systems — Space Division Consolidated Pension Plan (Covering Salaried Employees Only)<br>– Avondale Industries, Inc. Non- Represented Employees' Pension Plan<br>– Ingalls Shipbuilding, Inc. Salaried Employees Retirement Plan<br>– Northrop Grumman Retirement Plan "B" (formerly Litton Retirement Plan "B") | July 1, 2003 through June 30, 2008 | July 1, 2008 |

| Historical Plan | 5-year Transition Period | Effective Date of Updated Cash Balance Pay-based Credits |
|---|---|---|
| ▪ Newport News Shipbuilding, Inc. Retirement Plan | January 1, 2004 through December 31, 2008 | January 1, 2009 |
| ▪ Huntington Ingalls Industries Retirement Plan "B", including only the following sub- plans:<br>– Huntington Ingalls Industries Space & Mission Systems Corp. Salaried Pension Plan<br>– Synoptics employees in Northrop Grumman Retirement Plan "B" | January 1, 2005 through December 31, 2009 | January 1, 2010 |

* In general, participants in the RVP are not eligible for a 5-year transition benefit (i.e., the greater of Part B or Part C). However, IIS employees who transferred to the RVP on July 1, 2002 are eligible for transition benefits, and the transition period and effective date of the Updated Cash Balance pay-based credit schedule shown in the table applies to that group.

Refer to the "Points" section for details about how points are calculated.

## *Pay-based Credit Examples*

Following are two examples showing how pay-based credits are calculated. Example 1 calculates the credit when pay is below the Social Security Wage Base (SSWB) using the Standard schedule of pay-based credits. Example 2 considers pay above the SSWB, again using the Standard schedule of pay-based credits. Example 3 calculates a participant's Part D benefit under both the Standard and Updated Cash Balance pay- based credit schedules.

All examples in this summary:

- Are provided for illustrative purposes only and may not be relied upon to represent the actual benefits of any employee of the Company
- Use age and service in whole numbers (when your actual age and service are determined, they will be calculated to four decimal places; their sum will be rounded down to a whole number to determine your points — see "Points" on page 12 for details)
- Are based on a participant for whom the cash balance feature became effective July 1, 2003 or later, as stated in the example
- Are based on a participant who is not eligible for transition benefits.

### Example 1: Pay Below the SSWB, using the Standard Schedule of Pay-based Credits

Assumptions:

- Age on July 1, 2007: 29
- Credited service on June 30, 2007: 5 years
- Pension-eligible compensation: $40,000 a year ($3,333 a month)
- Date of pay-based credit allocation: July 31, 2007

| | |
|---|---|
| ***Age + years of credited service = points*** | 29 + 5 = 34 points |
| ***Pay-based credit percentage*** | 5.0% (or .050) |
| ***Pay-based credit percentage × monthly pension-eligible compensation*** | .050 × $3,333 = $166.65 |
| ***July 31, 2007 Pay-based Credit*** | $166.65 |

## Example 2: Pay that Exceeds the SSWB, using the Standard Schedule of Pay- based Credits

Assumptions:

- Age on August 1, 2007: 40
- Credited service on July 31, 2007: 12 years
- Pension-eligible compensation: $150,000 per year ($12,500 a month)
- Pay will exceed the SSWB ($97,500 in 2007) in July, as shown here:

| Month | Total Monthly Pension-eligible Compensation | SSWB | Year-to-date Pay | Pay Above SSWB |
|---|---:|---:|---:|---:|
| ***January*** | $12,500 | $97,500 | $12,500 | $0 |
| ***February*** | $12,500 | $97,500 | $25,000 | $0 |
| ***March*** | $12,500 | $97,500 | $37,500 | $0 |
| ***April*** | $12,500 | $97,500 | $50,000 | $0 |
| ***May*** | $12,500 | $97,500 | $62,500 | $0 |
| ***June*** | $12,500 | $97,500 | $75,000 | $0 |
| ***July*** | $12,500 | $97,500 | $87,500 | $0 |
| ***August*** | $12,500 | $97,500 | $100,000 | $2,500 |
| ***September*** | $12,500 | $97,500 | $112,500 | $12,500 |
| ***October*** | $12,500 | $97,500 | $125,000 | $12,500 |
| ***November*** | $12,500 | $97,500 | $137,500 | $12,500 |
| ***December*** | $12,500 | $97,500 | $150,000 | $12,500 |

In this example, the Program begins paying pay-based credits on pay above the SSWB on August 31, 2007. Here is how:

| | |
|---|---:|
| ***Age + years of credited service = points*** | 40 + 12 = 52 points |
| ***Pay-based credit percentage*** | 6.0% (or .060) |
| ***Pay-based credit percentage × monthly pension-eligible compensation*** | .060 × $12,500 = $750.00 |
| ***4.5% × monthly pension-eligible compensation over the SSWB*** | .045 × $2,500 = $112.50 |
| ***Credit on your total pay + credit on pay above SSWB*** | $750 + $112.50 = $862.50 |
| ***August 31, 2007 Pay-based Credit*** | $862.50 |

Continuing with this example, here is how pay-based credits will be determined on September 30, 2007:

| | |
|---|---|
| *Pay-based credit percentage* | 6.0% (or .060) |
| *Pay-based credit percentage × monthly pension-eligible compensation* | .060 × $12,500 = $750.00 |
| *4.5% × monthly pension-eligible compensation over the SSWB* | .045 × $12,500 = $562.50 |
| *Credit on your total pay + credit on pay above SSWB* | $750 + $562.50= $1,312.50 |
| *September 30, 2007 Pay-based Credit* | $1,312.50 |

## Example 3: Using Both the Standard and Updated Cash Balance Pay-based Credit Schedules

Assumptions:

- Age on June 1, 2008: 31
- Hired on June 1, 2005 into an entity eligible for a Part D cash balance benefit beginning on his date of hire (Standard schedule of pay-based credits applies)
- Credited service on May 31, 2008: 3 years
- Pension-eligible compensation: $40,000 a year ($3,333 a month)
- Date of pay-based credit allocation: June 30, 2008

| | |
|---|---|
| *Age + years of credited service = points* | 31 + 3 = 34 points |
| *Pay-based credit percentage* | 5.0% (or .050) |
| *Pay-based credit percentage × monthly pension-eligible compensation* | .050 × $3,333 = $166.65 |
| *June 30, 2008 Pay-based Credit* | $166.65 |

Continuing with this example, here is how the pay-based credits will be determined under the Updated Cash Balance pay-based credit schedule on July 31, 2008:

| | |
|---|---|
| *Age + years of credited service = points* | 31 + 3 = 34 points |
| *Pay-based credit percentage* | 4.0% (or .040) |
| *Pay-based credit percentage × monthly pension-eligible compensation* | .040 × $3,333 = $133.32 |
| *July 31, 2008 Pay-based Credit* | $133.32 |

## *Interest Credits*

In addition to monthly pay-based credits, the Company provides monthly interest credits to help your benefit grow. Here is how the monthly interest credit is determined:

A. The monthly interest credit is based on the rate in effect four months prior to the month the interest credit is being allocated (see "About the Interest Rate Used" on page 22). The rate is divided by 12 to determine a monthly interest credit rate. For example, if the rate for June 2018 is 5.3%, the monthly interest credit rate for October 2018 is 0.4417%:

| *Annual Rate - From Four Months Earlier* | ÷ | *12* | = | *Monthly Interest Credit Rate* |
|---|---|---|---|---|
| **5.3%** | ÷ | **12** | = | **0.4417%** |

B. To determine your monthly interest credit, the monthly interest credit rate is multiplied by your account balance as of the first of the month. For example, if the value of your benefit is $10,000 on October 1 and the interest credit rate for October is 0.4417%, your monthly interest credit for October is $44.17.

| ***Monthly Interest Credit Rate*** | ***x*** | ***The Value of Your Benefit as of the First of the Month*** | **=** | ***Your Monthly Interest Credit*** |
|---|---|---|---|---|
| **0.4417%** | **x** | **$10,000** | **=** | **$44.17** |

Based on the balance at the beginning of the month, interest is credited on the last day of each month. Interest is not earned on pay-based credits allocated during the same month. If you end your employment with a vested benefit, interest will continue to be credited to your benefit up to the month before payments begin.

## About the Interest Rate Used

The interest rate is based on the 30-year Treasury bond rate published by the IRS. These rates can be found at www .irs.gov* and are published a few days after the end of each month.

To determine which rate is used each month, refer to the following table:

| **Which Rate Is Used?** | |
|---|---|
| *To determine the interest credit for…* | *Use the rate from the previous…* |
| January | September |
| February | October |
| March | November |
| April | December |
| May | January |
| June | February |
| July | March |
| August | April |
| September | May |
| October | June |
| November | July |
| December | August |

* On the IRS website home page, select "Retirement Plans" on the "Information for…" menu, then select "Published Guidance" on the left, click on "Interest Rates Tables", and select "Weighted Average Interest Rate Table".

## *Example of Pay-Based and Interest Credits*

Here is an example showing how your benefit can grow through pay-based credits and interest credits. Please note that this example assumes four weeks of pay in each month, when some months may actually include five weeks of pay.

For details about how age and service are determined, see "Points" on page 12 section. Assumptions:

- Employee transitions to the Program on July 1, 2003 and is eligible for the Standard schedule of pay-based credits

- Date of birth: December 19, 1961
- Date of hire: February 1, 1987
- Pension-eligible compensation: $150,000 per year or $12,500 per month
- Interest credit rate: 6% annually or 0.5000% monthly
- Social Security Wage Base (SSWB) for 2003: $87,000
  - This employee's cumulative pay for the year reaches (and exceeds by $500) the SSWB in July, so credits on pay above the SSWB will be provided beginning July 31, 2003.
  - Bear in mind the SSWB is $128,400 for 2018. Additionally, because this example takes place in 2003, the pay-based credit percentages below are from the "Standard" schedule. Were this example to take place in 2018, the "Updated" schedule would apply (for more information, see "Example 3: Using Both the Standard and Updated Cash Balance Pay-based Credit Schedules" on page 21). This historical example is for illustration only.

| July 2003 | |
|---|---|
| **Cash balance on July 1, 2003** | **$0.00** |
| Age on July 1, 2003 | 41.5000 |
| Credited service on June 30, 2003 | 16.4167 |
| Points on July 31, 2003<br>(age plus service rounded down to a whole number) | 57.9167<br>57 |
| Pay-based credit percentage | 6.5% |
| **Pay-based credit** | **$812.50** |
| Total monthly pension-eligible compensation × pay-based credit percentage ($12,500 × 6.5%) | + $22.50 |
| Monthly pension-eligible compensation above SSWB ($500 × 4.5%) | $835.00 |
| Interest credit = interest credit rate × cash balance amount on July 1 (0.5000% × $0.00) | $0.00 |
| **Total July 31, 2003 Credits** | **$835.00** |

| August 2003 | |
|---|---|
| **Cash balance on August 1, 2003** | **$835.00** |
| Age on August 1, 2003 | 41.5833 |
| Credited service on July 31, 2003 | 16.5000 |
| Points on August 31, 2003<br>(age plus service rounded down to a whole number) | 58.0833<br>58 |
| Pay-based credit percentage | 6.5% |
| **Pay-based credit** | **$812.50** |
| Total monthly pension-eligible compensation × pay-based credit percentage ($12,500 × 6.5%) | + $562.50 |
| Monthly pension-eligible compensation above SSWB ($12,500 × 4.5%) | $1,375.00 |
| Interest credit = interest credit rate × cash balance amount on August 1 (0.5000% × $835.00) | $4.18 |
| **Total August 31, 2003 Credits** | **$1,379.18** |

| September 2003 | |
|---|---|
| **Cash balance on September 1, 2003 ($835.00 + $1,379.18)** | **$2,214.18** |
| Age on September 1, 2003 | 41.6667 |
| Credited service on August 31, 2003 | 16.5833 |
| Points on September 31, 2003<br>(age plus service rounded down to a whole number) | 58.2500<br>58 |
| Pay-based credit percentage | 6.5% |
| **Pay-based credit** | **$812.50** |
| Total monthly pension-eligible compensation × pay-based credit percentage ($12,500 × 6.5%) | + $562.50 |
| Monthly pension-eligible compensation above SSWB ($12,500 × 4.5%) | $1,375.00 |
| Interest credit = interest credit rate × cash balance amount on September 1 (0.5000% × $2,214.18) | $11.07 |
| **Total September 31, 2003 Credits** | **$1,386.07** |

At the end of September, the cash balance amount will be $3,600.25 ($835.00 + $1,379.18 + $1,386.07). The following table illustrates how this participant's balance will grow to a year-end value of $7,800.19.

| Date | Age | Credited Service Years | Points= Benefit Credit % | Total Monthly Eligible Pay | Year-To-Date Pay | Pay Above SSWB | Benefit Credit | Interest Credit | Value at End of Month |
|---|---|---|---|---|---|---|---|---|---|
| 7/31/2003 | 41.5000 | 16.4167 | 57=6.50% | $12,500 | $87,500 | $500 | $835.00 | $0 | $835 |
| 8/31/2003 | 41.5833 | 16.5000 | 58=6.50% | $12,500 | $100,000 | $12,500 | $1,375.00 | $4.18 | $2,214.18 |
| 9/30/2003 | 41.6667 | 16.5833 | 58=6.50% | $12,500 | $112,500 | $12,500 | $1,375.00 | $11.07 | $3,600.25 |
| 10/31/2003 | 41.7500 | 16.6667 | 58=6.50% | $12,500 | $125,000 | $12,500 | $1,375.00 | $18.00 | $4,993.25 |
| 11/30/2003 | 41.8333 | 16.7500 | 58=6.50% | $12,500 | $137,500 | $12,500 | $1,375.00 | $24.97 | $6,393.22 |
| 12/31/2003 | 41.9167 | 16.8333 | 58=6.50% | $12,500 | $150,000 | $12,500 | $1,375.00 | $31.97 | $7,800.19 |
| | | | | | | **Value at the end of 2003** | | | **$7,800.19** |

## Normal Retirement

### *Eligibility for Normal Retirement*

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

## Normal Retirement Age for Your Benefit

Your normal retirement age for your cash balance benefit is the later of:

- Age 65, or
- Your age on the earlier of the fifth anniversary of your participation in the Plan and the date you complete three years* of vesting service.

* Five years of vesting service if you terminate prior to January 1, 2008.

You can begin receiving a benefit the first day of the month coincident with or immediately following the day you become eligible (as described above), but no later than April 1 following the year in which you reach age 70½.

If you continue working beyond your normal retirement age, your benefit will be increased by (1) the pay-based credits and interest credits for which are eligible or (2) an actuarial increase based on the Program's factors, whichever is greater, for each month you continue working for the Company.

If you terminate employment and decide to defer payment and keep your money in the Program, your account continues to earn interest credits until the last day of the month before distribution occurs. Your benefit will then be calculated when you request a distribution.

### *Benefit Amount for Normal Retirement*

If you begin your benefit payments at or after attaining eligibility for normal retirement, the value of your total benefit will be converted to an annual retirement benefit using a conversion factor of 9.00. Here is the calculation of your monthly retirement benefit:

Total Cash Balance Amount (when payments begin) ÷ 9.00 ÷ 12 months = Your Monthly Annuity Payment

### *Normal Retirement Benefit Examples*

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

## Example

Assume the following:

- Total Part D cash balance amount when payments begin: $400,000
- Age at which payments begin: 65

In this example, the Part D monthly retirement benefit will be:

$400,000 ÷ 9.00 ÷ 12 months = $3,703.70 per month*

If you elect a payment option other than a single life annuity, this amount will be converted based on the option you choose. See "Payment Options" on page 30 for details.

## Early Retirement

### *Eligibility for Early Retirement*

If you leave the Company with 10 or more years of vesting service, you may choose to begin receiving your Cash Balance Program benefit as early as age 55.

If you elect an early retirement benefit, the monthly payment will be less than what you would have received if you had waited until age 65. Because early retirement benefits are paid out over a longer period of time, you are expected to receive a greater number of payments, and the payment amount is less.

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

### *If You Are Laid Off (Special Layoff Provision)*

If you are laid off prior to meeting the early retirement eligibility requirements described above, you are eligible for an early retirement benefit on or after age 55 if you are on layoff status (i.e., terminated employment with the Company due to layoff) when your benefit commences and you meet either of the following requirements:

- If your points (your age plus your years of credited service on your layoff date) equal or exceed 75; or
- You are at least age 53 and you have 10 years of early retirement eligibility service (generally equal to vesting service) on your layoff date.

If you receive a layoff notice and you qualify for the special layoff provision, and you then transfer to another entity instead of being terminated, you are no longer eligible for the special layoff provision. If you are laid off and you qualify for the special layoff provision and you are then rehired by the Company, the special layoff provision no longer applies. If you are subsequently laid off and qualify, you would again be eligible for the special layoff provision.

Note: If you do not meet either of the two eligibility requirements listed above but have at least 10 years of vesting service, you may still commence your benefit at age 55. In that case, your benefit will be calculated using the deferred vested early retirement factors (see the following sub-section for details.)

### *Benefit Amount for Early Retirement*

To calculate your early retirement benefit, the Program uses a conversion factor based on your age when your payments begin.

- If you have 10 or more years of vesting service and end your employment at or after age 55, early retirement factors (rather than the normal retirement conversion factor of 9) are used to calculate your early retirement benefit, even if you defer payments. The early retirement factor that applies depends on your age when payments begin, as shown in the following table.

| Age at Which You Begin Receiving Benefit Payments | Early Retirement Factors |
|---|---|
| *55* | 11.50 |
| *56* | 11.25 |
| *57* | 11.00 |
| *58* | 10.75 |
| *59* | 10.50 |
| *60* | 10.25 |
| *61* | 10.00 |

| Age at Which You Begin Receiving Benefit Payments | Early Retirement Factors |
|---|---|
| *62* | 9.75 |
| *63* | 9.50 |
| *64* | 9.25 |
| *65 (or later)* | 9.00 |

The factors in this table are shown for whole ages. Partial years will be prorated in years and months.

- If you have 10 or more years of vesting service and end your employment before age 55, deferred vested early retirement factors are used to calculate your early retirement benefits. The deferred vested early retirement factor that applies depends on your age when payments begin, as shown in the following table.

| Age at Which You Begin Receiving Benefit Payments | Deferred Vested Early Retirement Factors |
|---|---|
| *55* | 19.00 |
| *56* | 18.00 |
| *57* | 17.00 |
| *58* | 16.00 |
| *59* | 15.00 |
| *60* | 14.00 |
| *61* | 13.00 |
| *62* | 12.00 |
| *63* | 11.00 |
| *64* | 10.00 |
| *65 (or later)* | 9.00 |

The factors in this table are shown for whole ages. Partial years will be prorated in years and months.

- If you participated in one of the historical pension plans on the date prior to your Program effective date (as applicable), you may be eligible for an enhanced early retirement subsidy (Rule of 9), as described in the "Transition Benefits" supplement.

### *Early Retirement Benefit Examples*

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

#### Example A — Early Retirement Factors

Assume the following:

- Total Part D cash balance amount when payments begin: $150,000
- Your age at termination: 55
- Your years of vesting service: 15
- Your age when payments begin: 55
- Early retirement conversion factor: 11.50

In this example, the monthly Part D retirement benefit will be:

$150,000 ÷ 11.50 ÷ 12 months = $1,086.96 per month (single life annuity)*

## Example B — Early Retirement Factors and Deferred Payments

Assume the following:

- Total Part D cash balance amount when payments begin: $200,000
- Participant's age at termination: 55
- Participant's years of vesting service: 15
- Age at which payments begin: 60
- Early retirement conversion factor: 10.25

In this example, the monthly Part D retirement benefit will be:

$200,000 ÷ 10.25 ÷ 12 months = $1,626.02 per month (single life annuity)*

## Example C — Special Layoff Provision

Assume the following:

- Total Part D cash balance amount when payments begin: $200,000
- Participant's age at termination: 52
- Participant's years of credited and vesting service: 25
- Age at which payments begin: 58
- Early retirement conversion factor: 10.75

In this example, the monthly Part D retirement benefit will be:

$200,000 ÷ 10.75 ÷ 12 months = $1,550.39 per month (single life annuity)*

## Example D — Deferred Vested Early Retirement Factors

Assume the following:

- Total Part D cash balance amount when payments begin: $300,000
- Participant's age at termination: 45
- Participant's years of vesting service: 15
- Age at which payments begin: 60
- Deferred vested early retirement conversion factor: 14.00

In this example, the monthly retirement benefit will be:

$300,000 ÷ 14.00 ÷ 12 months = $1,785.71 per month (single life annuity)*

* If you elect a payment option other than a single life annuity, this amount will be converted based on the option you choose. See "Payment Options" on page 30 for details.

# If You Die Before Benefit Payments Begin

## *Married Participants*

If you die after your benefit is vested but before your retirement benefit commences, your spouse will be eligible for a pre-retirement death benefit from the Plan. Your eligible spouse is the individual to whom you are legally married at the time of your death.

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

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

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

### Pre-retirement Death Benefit

If you die before your benefit payments are scheduled to begin, your spouse's benefit is equal to the amount that would have been paid to you had you elected the 100% joint and survivor annuity form of payment. Your benefit will continue to accrue interest credits up to the time payments begin.

- If you are actively employed with the Company at the time of your death and had 10 or more years of vesting service, your spouse may begin receiving a benefit on the first day of the month in which you would have been age 55. Your benefit will be calculated using your earnings and years of service through the date of your death, and will use interest credits and early retirement factors at your spouse's commencement date.
- If you are not actively employed with the Company at the time of your death and:
  - If you were eligible for early retirement at the time you terminated your employment with the Company, your spouse may begin receiving a benefit on the first day of the month following your death (see "Applying for Your Benefit" on page 16 for details). Your benefit will be calculated using your earnings and years of service through the date of your termination, and will use interest credits and early retirement factors at your spouse's commencement date.
  - If you were not eligible for early retirement at the time you terminated your employment with the Company but had 10 or more years of service, your spouse may begin receiving a benefit on the first day of the month in which you would have been eligible for early retirement. Your benefit will be calculated using your earnings and years of service through the date of your termination, and will use interest credits and deferred vested early retirement factors at your spouse's commencement date.
- If you are vested and have less than 10 years of service at the time of your death, regardless of whether you are actively employed by the Company, your spouse may begin receiving a benefit on the first day of the month in which you would have been eligible for normal retirement. Your benefit will be calculated using your earnings and years of service through the date of your termination, and will use interest credits through your spouse's commencement date.

Benefit payments must begin no later than December 31 of the year in which you would have reached age 70½. Your spouse's benefit is payable monthly for the duration of his or her life. Note: It is your surviving spouse's responsibility to call the HIBC and request a retirement kit.

If you die while on disability or medical leave, you will receive the same benefit as if you had died while actively employed by the Company. Please call the HIBC if you have any questions about this benefit.

### Heroes Earnings Assistance and Relief Tax Act of 2008

To the extent permitted under the Heroes Earnings Assistance and Relief Tax Act of 2008, if you die during a period of qualifying military service, your beneficiary will be entitled to any additional benefits, other than benefit accruals, as if you were reemployed on the date immediately preceding your death and then terminated employment on the date of your death. Further, if you become totally and permanently disabled or die during a period of qualifying military service, your benefit will include the credited service that you would have received if you were reemployed by the Company on the date immediately preceding your disability or death, as applicable, and terminated employment on the date of your disability or death.

If you are not vested at the time of your death, the Program pays no survivor benefit.

### Unmarried Participants

If you are not married at the time of your death, the Program pays no pre-retirement death benefit.

## Keeping Track of Your Benefit

You can track the amount of your accrued benefit and model your estimated benefit at retirement online at HII Benefits Connect at http://hiibenefits.com and click on the UPoint button.

Tracking the amount of your cash balance benefit is a key part of planning for a financially secure retirement. It can help you make informed decisions about how much to save on your own and how to diversify your 401(k) savings or other investments.

## Payment Options

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

### Spousal Consent

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

### Forms of Payment

Here is a brief description of each payment option available under the Program. In the following section is additional information about how your payments will be calculated under each option.

The Program was amended, with respect to annuity starting dates beginning on or after January 1, 2017, to provide a bifurcated benefit distribution option. As a result, a participant may elect a combination of distribution options with respect to his or her accrued benefits.

Note: If you are eligible for a historical plan benefit or transition benefit, see the applicable supplement to this SPD for details on your payment options for those benefits.

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

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

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

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

Please contact the HIBC for more information.

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

Here’s how your benefit would be calculated:

- Your pre-62 monthly benefit

*equals*

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

plus

Your estimated Social Security benefit

multiplied by

A Level Income annuity factor based on your age

- Your post-62 monthly benefit

*equals*

Your pre-62 monthly benefit

minus

Your estimated Social Security benefit

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

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

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

- Pre-62 monthly benefit from the Program

| | | | | |
|---|---|---|---|---|
| Single life annuity of $1,000 | *plus* | $500 × 0.85 | *equals* | $1,425 |

- Post-62 monthly benefit from the Program

| | | | | |
|---|---|---|---|---|
| $1,425 | *divided by* | $500 | *equals* | $925 |

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

- Pre-62 monthly benefit from the Program = $1,425
- Post-62 total monthly benefit Post-62 monthly benefit of $925 plus

Your actual Social Security benefit of $550 = $1,475

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

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

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

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

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

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

If you are married when you retire, your spouse must provide written, notarized consent in writing to this form of distribution. The lump sum amount will depend on your age at retirement, the interest rate used, and a mortality table. For a list of the applicable interest rates, please access HII Benefits Connect at http://hiibenefits.com, or contact the HIBC.

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

### *Rollovers by Non-Spouse Beneficiaries*

In the event that your designated beneficiary who is not your surviving spouse or former spouse becomes eligible to make a direct rollover of his or her eligible rollover distribution under the Program, such beneficiary may elect to make a direct rollover only to an individual retirement account described in Section 408(a) of the Internal Revenue Code (the "Code") or an individual retirement annuity described in Code Section 408(b) (other than an endowment contract).

The following sections provide more information, including examples, about how the Program's payment options are calculated. Examples are for illustrative purposes only and may not be relied upon to represent the actual benefits of any employee of the Company.

## What Happens to Your Benefit in Special Situations

This section describes what happens to your benefit in certain special situations. For information about situations not described here, call the HIBC.

### *If You Take a Leave of Absence*

In general, if you take a medical leave of absence, your benefit will continue to earn monthly pay-based and interest credits, and you will continue to earn benefit and vesting service for a maximum of two years. You will also receive credit if you are on a qualifying military leave, provided that you return to active employment within five years of the beginning of your leave and within 90 days of an honorable discharge, or if you die while on a qualifying military leave.

Different rules apply to other types of leave. The following table provides examples of these special rules.

| Type of Approved Leave | Service and Benefits While on Leave |
|---|---|
| ***Medical Leave*** | ▪ For a maximum of two years:<br>– You will earn eight vesting hours for each working day of leave<br>– You will earn one month of credited service for each month during which you are on leave<br>– Pay-based credits continue based on the following:<br>▫ Your monthly imputed earnings, which are based on your daily rate of pay in effect on the last day of the month preceding the start of your medical leave<br>▫ Overtime pay paid to you while you are on medical leave<br>▫ Bonus pay paid to you while you are on medical leave<br>▪ Interest credits continue, even after your employment ends after two years of medical leave<br>You will stop earning medical leave service and pay-based credits at the earliest of the following:<br>▪ At the end of the two-year period after the medical leave begins (at which time your employment ends)<br>▪ The date you return to active employment (however, you will continue to earn service and pay-based credits as an active employee)<br>▪ The date you terminate your employment<br>▪ The date you die<br>▪ The date you retire |

| Type of Approved Leave | Service and Benefits While on Leave |
|---|---|
| ***Qualifying military leave of absence***<br>(if you return to active employment within five years of the beginning of your leave and within 90 days of an honorable discharge, or if you die while on a qualifying military leave.) | ▪ You will earn eight vesting hours for each working day of leave<br>▪ You will earn one month of credited service for each month during which you are on leave<br>▪ Pay-based credits continue based on the pension- eligible compensation you would have received had you not gone on leave<br>▪ Interest credits continue |
| ***Unpaid family medical leave*** | ▪ You will receive vesting hours during your leave only to the extent necessary to prevent a break in service (see "Breaks in Service" on page 13 for details)<br>▪ You will not receive credited service, vesting service, or pay-based credits for the duration of the leave<br>▪ Interest credits continue |
| ***Other unpaid leaves of absence*** | ▪ You will not accrue credited or vesting service, except to the extent required by law<br>▪ You will not accrue pay-based credits<br>▪ Interest credits continue |

If you have questions about how a leave of absence may affect your pension benefit, please call the HIBC. Also, refer to the "Breaks in Service" section for additional information about leaves of absence.

## *If You Are Rehired*

If you leave the Company, and you are later reemployed by the Company, the benefit you accrue during your reemployment is affected by three main factors, as explained below.

- Will you again accrue benefits in the Cash Balance Program?
  - Refer to the "Participation" section of this SPD to determine if you participate in the Cash Balance Program after you are rehired.
- Will your prior service with the Company be included in any future benefit accruals?
  - If you were vested when you terminated employment and are rehired, you remain vested when you are rehired. Beginning on your rehire date, you will continue earning a benefit under the Program if you are otherwise eligible to participate in the Program. Your credited service under your prior employment period will be included in your credited service earned under the new employment period to determine your points. You are immediately vested in any new benefits you earn.
  - If you were not vested when you terminated employment and returned to the Company, the break-in-service rules apply. See "Breaks in Service" on page 13 for details.
- If you are receiving a benefit under the Cash Balance Program, will your benefit be suspended?
  - If you commence your benefit under the Program upon termination and you are reemployed by the Company, payment of your annuity benefit will be suspended if:
    - You are rehired as an employee,

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

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

### *If You Transfer*

If you transfer to another part of the Company that participates in the Cash Balance Program, your benefit — and the rules that apply for you — continue when you transfer, and you remain in the Cash Balance Program.

However, if you transfer to another part of the Company that does not participate in the Cash Balance Program, you will not accrue pay-based credits while working for a non- participating business unit; however, interest credits will continue to apply to your cash balance benefit. Other special rules also may apply. If you have questions about transfers, please call the HIBC.

If you participated in one of the historical pension plans on the day before your Program effective date, your benefits may be subject to special provisions if you transfer. See the "Transition Benefits" supplement for details.

## Tax Considerations

### *Maximum Benefits for Tax Purposes*

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

### *When You Pay Taxes*

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

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

If your beneficiary receives a lump sum distribution as a result of your death, the additional 10% tax does not apply.

## General Plan Information

### *Assignment of Benefits*

Your benefits belong to you and, except in the case of a qualified domestic relations order (QDRO), Internal Revenue Service (IRS) levy, or garnishment orders under the Federal Debt Collection Procedures Act or the Mandatory Victims Restitution Act, may not be sold, assigned, transferred, pledged, or garnished. See "Payment of Benefits to Alternate Payees" on page 36 for details about QDROs.

## *Facility of Payment*

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

## *Payment of Benefits to Alternate Payees*

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

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

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

The HII Domestic Relations Matters Group administers QDROs. If you are or may be subject to such an order, call the HII Domestic Relations Matters Group at 1-877-324- 4255 to request a copy of the Plan's QDRO procedures and a model QDRO for your use. Issues pertaining to the qualified status of a domestic relations order may be pursued in federal court.

## *Top Heavy Rules*

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

## *Loss of Benefits*

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

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

## Your ERISA Rights

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

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

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

## Prudent Actions by Plan Fiduciaries

In addition to creating rights for Plan participants, ERISA imposes duties on the Plan fiduciaries, the people responsible for operating the Plan. At the Company, Plan fiduciaries may include employees who make certain discretionary decisions about the management or administration of the Plan. Fiduciaries also may include outside investment advisors and trustees.

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

No one, including the Company or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA.

## Enforcing Your ERISA Rights

Under ERISA, there are several steps you can take to enforce your rights. For instance, if you request plan documents or the latest annual report from the Plan and you do not receive them within 30 days, you may file suit in federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive them, unless the materials were not sent for a reason beyond the control of the Plan Administrator or the Plan Administrator otherwise had a reasonable basis for not providing them.

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

If a fiduciary misuses the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in federal court.

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

### *Assistance with Your Questions*

If you have any questions about the Plan, you should call the HIBC at 1-877-216-3222 between the hours of 9:00 a.m. and 6:00 p.m. Eastern time.

If you have any questions about your rights under ERISA or about this statement outlining your rights, or if you need assistance in obtaining documentation from the Plan Administrator, you should contact the nearest regional office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory.

You also may contact the Division of Technical Assistance and Inquiries, Employee

Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, DC 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration at 1-866-444-3272.

### *Discretionary Authority of Plan Administrator*

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

### *Incorrect Payment of Benefits*

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

### *Claims and Appeals Processes*

#### Claiming Benefits

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

Huntington Ingalls Industries Benefits Administration
Huntington Ingalls Industries Corporation
4101 Washington Avenue
Newport News, VA 23607

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

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

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

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

## Appealing Claims Decisions

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

Administrative Committee, HII Benefit Plans
Huntington Ingalls Industries, Inc.
4101 Washington Avenue
Newport News, VA 23607

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

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

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

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

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

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

- One year from the time the claim arises, or
- 90 days from the final disposition of the claim by the Plan Administrator.

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

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

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

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

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

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

202-326-4000

### *Funding and Plan Assets*

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

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

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

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

In accordance with the disclosure requirement of ERISA, this SPD serves as a summary plan description of the Huntington Ingalls Industries Cash Balance Program. As such, it is intended to provide you with a brief explanation of your pension Plan. It is not an official Plan document, and neither the Plan documents nor this SPD constitutes an implied or expressed contract of employment. The actual terms of the Plan are contained in the Plan documents, which are available from the HIBC for a fee.

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

## *Future of the Program*

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

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

## *Contact Information*

The following chart contains contact information, provided in accordance with ERISA, which may be helpful to you. For more information on your ERISA rights, see "Your ERISA Rights" on page 37 and "Enforcing Your ERISA Rights" on page 37.

| | |
|---|---|
| ***Plan Sponsor*** | Huntington Ingalls Industries, Inc.<br>4101 Washington Avenue<br>Newport News, VA 23607 |
| ***Plan Sponsor EIN*** | 90-0607005 |
| ***Type of Plan*** | Defined benefit pension plan |
| ***Type of Funding*** | Under a trust |
| ***Legal Plan Names and Numbers*** | ▪ 041: Huntington Ingalls Industries Retirement Plan "B"<br>▪ 100: HII Newport News Shipbuilding, Inc. Retirement Plan |
| ***Plan Administrator***<br>Note: If you do not know which historical legal Plan you participate in, please call the HIBC at 1-877-216-3222. | Administrative Committee<br>Huntington Ingalls Industries, Inc.<br>4101 Washington Avenue<br>Newport News, VA 23607<br>1-877-216-3222 |
| ***Agent for Service of Legal Process*** | Huntington Ingalls Industries, Inc.<br>4101 Washington Avenue<br>Newport News, VA 23607<br>Attention: General Counsel |
| ***Plan Trustee*** | State Street Bank and Trust Company Master Trust Client Services<br>One Enterprise Drive — W6C<br>North Quincy, MA 02171 |
| ***Plan Year End*** | December 31 |

## Terms You Should Know

**Credited service**
The service that you accumulate while working at the Company, which is used as a factor in determining the amount of your pay-based credit. After your Program effective date, you accrue one month of credited service for each month you are paid for one or more hours of work with the Company.

**Break in service**
A period during which you complete less than 501 hours of service in a calendar year — due to certain leaves of absence, for example.

**Cash balance plan**
A defined benefit pension plan that looks like and expresses its benefits like a defined contribution plan (i.e., accounts and account balances, contributions, and interest credits).

**Company**
Huntington Ingalls Industries, Inc. and its 80%-owned affiliates for periods on and after March 31, 2011, and Northrop Grumman Corporation and its 80%-owned affiliates for periods before March 31, 2011.

**Defined benefit (DB) plan**
A plan in which the employer predetermines or "defines" the benefit to be paid upon retirement. The benefit is based on a formula that takes into account an employee's compensation, years of service, or a combination of the two.

This type of plan provides a predictable benefit amount.

**Defined contribution (DC) plan**
A plan in which the employer determines or "defines" the amount it will contribute periodically to an employee's account, expressed as a percentage of the employee's compensation or of his/her contribution. The benefit payable is based on the money that accumulates in an employee's account, and reflects employer contributions, employee contributions (if any), and any investment gains or losses.

**Huntington Ingalls Benefits Center (HIBC)**
A dedicated resource designed to provide you with information about your Cash Balance Program benefit and other Huntington Ingalls Industries benefits. The HIBC also maintains participant records for the Cash Balance Program. The toll-free telephone number for the HIBC is 1-877-216- 3222.

**Interest credit**
Interest credited to your cash balance account each month. The interest rate for the Cash Balance Program is updated monthly, using the rate in effect four months before the interest credit is allocated.

**Pay-based credit**
The amount as a percentage of your pension-eligible compensation, based on your "points," that the Company credits to your Cash Balance Program benefit each month.

**Pension-eligible compensation**
Pensionable earnings used to determine pay-based credits.

**Points**
The sum of your age on the first day of the month and credited service on the last day of the prior month (rounded down to a whole number). Points determine the amount of pay-based credit that the Company allocates to your cash balance account.

**Social Security wage base (SSWB)**
The maximum amount of pay subject to Social Security (OASDI portion of FICA) tax each year. Both you and the Company pay the OASDI portion of FICA taxes on your pay up to the Social Security wage base (SSWB), which is updated each year by the Internal Revenue Service (IRS). The Cash Balance Program provides an additional pay-based credit if you have pension-eligible compensation above the SSWB.

**Vested benefits**
Accrued benefits that you own. If you leave the Company before your benefit is vested, you will not receive a Company-provided benefit.

**Year of vesting service**
A year of service with the Company that accumulates to meet the Program's vesting requirement.

## Commonly Used Acronyms

Following are commonly used acronyms that you will find throughout this SPD.

| | |
|---|---|
| ***ERISA*** | Employee Retirement Income Security Act of 1974, as amended |
| ***IRS*** | Internal Revenue Service |
| ***FMLA*** | Family and Medical Leave Act |
| ***HIBC*** | Huntington Ingalls Benefits Center |
| ***PBGC*** | Pension Benefit Guaranty Corporation |
| ***QDRO*** | Qualified Domestic Relations Order |
| ***SMM*** | Summary of Material Modifications |
| ***SPD*** | Summary Plan Description (including any applicable SMMs) |
| ***SSWB*** | Social Security Wage Base |

## Huntington Ingalls Industries Electronic Systems Union Represented Employees Cash Balance Plan Supplement

### Eligibility to Participate

### Certain Union Employees Hired, Rehired, or Transferred On or After January 1, 2010

If you are covered by a labor agreement with a union described below and you are hired or rehired on or after January 1, 2010, you will not be eligible to participate in the Huntington Ingalls Industries Electronic Systems Union Represented Employees Cash Balance Plan ("Electronic Systems Plan"):

- International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers, Local 130 (Baltimore, Maryland)
- International Brotherhood of Electrical Workers, Local 1805 (Baltimore, Maryland)
- Federation of Independent Salaried Unions, Salaried Employees Association (Baltimore, Maryland)
- International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers, Local 130 (Hagerstown, Maryland)
- International Association of Machinists and Aerospace Workers, Local 2772 (Kings Bay, Georgia)

Notwithstanding the foregoing, you will be eligible to participate in the Electronic Systems Plan on or after January 1, 2010 if you meet one of the conditions below:

- You terminated from employment due to layoff and you are recalled from the Inactive Seniority List;
- You terminated from employment due to layoff and you are rehired within a two-year period;
- You terminated employment after becoming early retirement eligible and you are rehired within a two-year period;
- You took a military leave of absence and return to active employment within the maximum period permitted under the Uniformed Services Employment and Reemployment Rights Act of 1994 and within 90 days after an honorable discharge from the military;
- You took an authorized leave of absence (other than a medical leave) and return to active employment without terminating employment;
- You took a long-term disability leave of absence and return to active employment;
- You took a medical leave of absence and return to active employment without terminating employment within a two-year period;
- You were hired or rehired by a business unit of the Company covered by a collective bargaining agreement that provides for participation in the Electronic Systems Plan ("Covered Employer") before January 1, 2010 and you transfer to another Covered Employer on or after January 1, 2010;
- You were hired or rehired by a business unit of the Company covered by a collective bargaining agreement that does not provide for participation in the Electronic Systems Plan ("Non-Covered Employer") before January 1, 2010 and you transfer to a Covered Employer on or after January 1, 2010; or
- You transfer from a Non-Covered Employer that was acquired by the Company before January 1, 2010 to a Covered Employer on or after January 1, 2010, provided your most recent hire date with the acquired Non-Covered Employer was before January 1, 2010.

If you are hired by a Non-Covered Employer on or after January 1, 2010 and you subsequently transfer to a Covered Employer, you will not be eligible to participate in the Electronic Systems Plan. In addition, if you are hired or rehired by an acquired Non- Covered Employer on or after January 1, 2010 and you subsequently transfer to a Covered Employer, you will not be eligible to participate in the Electronic Systems Plan.

## Sunnyvale Union Participants

If you are a Sunnyvale Union Participant, you will not be eligible to participate in the Electronic Systems Plan after December 31, 2010. Instead, you may be eligible to participate in the Northrop Grumman Electronic Systems Union Represented Employees Flat Rate Pension Plan. Effective March 31, 2011, HII established the Huntington Ingalls Industries Electronic Systems Union Represented Employees Flat Rate Pension Plan, which is substantially similar to such Northrop-sponsored Plan.

For purposes of this Supplement, you are a "Sunnyvale Union Participant" if you are covered by a labor agreement with one of the following unions: (1) The International Association of Machinists and Aerospace Workers (IAM) Local 93 - Technical and Office Unit, (2) The International Association of Machinists and Aerospace Workers (IAM) Local 93 - Production, Maintenance and Craft Unit, (3) The International Brotherhood of Teamsters Local 853, (4) United Brotherhood of Carpenters Local 405, or (5) The International Brotherhood of Electrical Workers (IBEW) Local 2131.

## Employees Hired Before January 1, 2005 Who Are Represented by IUE Local 130 in Baltimore, Maryland or in Hagerstown, Maryland

If you were hired before January 1, 2005 and you are covered by a labor agreement with either the (1) International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers, Local 130 (Baltimore, Maryland), or (2) International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers, Local 130 (Hagerstown, Maryland), you will not be eligible to participate in the Northrop Grumman Electronic Systems Union Represented Employees Pension Plan (the "Northrop Grumman Pension Plan") after December 31, 2009. Instead, you will be eligible for the Electronic Systems Plan effective January 1, 2010.

### Five-Year Transition Benefit

From January 1, 2010 through December 31, 2014 (the "Transition Period"), your benefit will be the greater of the following two amounts: (1) the benefit determined under the new cash balance formula described immediately below, or (2) the benefit determined under a formula that is an approximation of the prior benefit formula under the Northrop Grumman Pension Plan (the "Historical Formula"). When you retire, the benefit you earn during the Transition Period will be based upon the greater of these two formulas (not both). It is not necessary for you to retire during the Transition Period to get this transition benefit. It does, however, apply only to service performed during the Transition Period.

### Cash Balance Formula

During the Transition Period, your benefit under the cash balance formula will be an annuity based on the balance in a hypothetical account. This "account" will be credited with an amount equal to a percentage of pay you receive while you are covered by the Electronic Systems Plan ("Pay-Based Credit"), plus interest credits until you retire. The interest credit rate is based on the 30-year Treasury bond rate published by the Internal Revenue Service ("IRS").

Pay-Based Credits equal a percentage of your total pension-eligible compensation, and are applied to your account each month. The applicable percentage is based on your "points." You earn a point for each year of age and each year of credited service. If applicable, you will also receive a Pay-Based Credit for pay that exceeds the Social Security Wage Base ("SSWB") ($117,000 in 2014). The following chart illustrates the applicable percentages for individuals who will be actively participating in the Electronic Systems Plan as of January 1, 2010.

| Points (age + years of credited service) | Pay-Based Credits (as a percentage of total pension-eligible compensation) | Pay-Based Credits (as a percentage of pension-eligible compensation over SSWB) |
|---|---:|---:|
| *Under 25* | 3.5% | 4.0% |
| *25-34* | 4.0% | 4.0% |
| *35-44* | 4.5% | 4.0% |
| *45-54* | 5.0% | 4.0% |
| *55-64* | 5.5% | 4.0% |
| *65-74* | 6.5% | 4.0% |
| *75-84* | 7.5% | 4.0% |
| *Over 84* | 9.0% | 4.0% |

To calculate early retirement benefits, the Electronic Systems Plan generally uses a conversion factor based on the age at which payments begin (see the Program SPD for details). However, if you are eligible for early retirement when you leave the Company, your monthly annuity will be calculated using a factor of 9.00, regardless of your age when payments begin (Rule of 9). A factor of 9.00 yields a benefit equal to what you would receive at age 65. If you are eligible, this early retirement subsidy will be included in your benefit.

## Historical Formula

During the Transition Period, your benefit under the Historical Formula will generally be equal to your benefit calculated under the career accumulation method or the flat rate method, whichever is greater:

- Career Accumulation Method: Your benefit under the career accumulation method is equal to 2% of your eligible pay for each year of benefit service completed during the Transition Period.
- Flat Rate Method: Your benefit under the flat rate method is equal to $34 for each year of benefit service completed during the Transition Period.

## Benefits After the Transition

The cash balance formula described above will be the sole benefit formula for benefits accrued after the Transition Period (i.e., for benefits accrued on and after January 1, 2015).

## Payment of Transition Benefit

When you terminate employment, the benefit forms under the Northrop Grumman Pension Plan generally apply to your benefits accrued under the Northrop Grumman Pension Plan and to your benefits accrued during the Transition Period. See the Northrop Grumman Pension Plan SPD for more details.

Rule of 9 Factors for Employees Recalled From the Inactive Seniority List If you were eligible for an enhanced early retirement subsidy (Rule of 9) before you terminated employment with the Company because of layoff, you will again be eligible for the Rule of 9 factors if you are recalled from the Inactive Seniority List. These factors apply to your entire cash balance account.

## New Schedule of Pay-Based Credits Effective January 1, 2010

If you are covered by a labor agreement with a union described below, a new schedule of Pay-Based Credits will apply to your benefit (Part D benefit for Kings Bay participants who were hired before January 1, 2005 and are eligible for transition benefits) for compensation earned on and after January 1, 2010:

- International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers, Local 130 (Baltimore, Maryland)
- International Brotherhood of Electrical Workers, Local 1805 (Baltimore, Maryland)
- Federation of Independent Salaried Unions, Salaried Employees Association (Baltimore, Maryland)
- International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers, Local 130 (Hagerstown, Maryland)
- International Association of Machinists and Aerospace Workers, Local 2772 (Kings Bay, Georgia)

| Points<br>(age + years of credited service) | Pay-Based Credits<br>(as a percentage of total pension-eligible compensation) | Pay-Based Credits<br>(as a percentage of pension-eligible compensation over SSWB) |
|---|---:|---:|
| *Under 25* | 3.5% | 4.0% |
| *25-34* | 4.0% | 4.0% |
| *35-44* | 4.5% | 4.0% |
| *45-54* | 5.0% | 4.0% |
| *55-64* | 5.5% | 4.0% |

| Points<br>(age + years of credited service) | Pay-Based Credits<br>(as a percentage of total pension-eligible compensation) | Pay-Based Credits<br>(as a percentage of pension-eligible compensation over SSWB) |
|---|---|---|
| *65-74* | 6.5% | 4.0% |
| *75-84* | 7.5% | 4.0% |
| *Over 84* | 9.0%* | 4.0% |

* For Standard Schedule participants with over 84 points, the new schedule credits a larger percentage of your pension-eligible compensation.

## Rate of Monthly Interest Credits

In addition to monthly Pay-Based Credits, the Electronic Systems Plan provides monthly interest credits to help your benefit grow. The monthly interest credit is based on the rate in effect four months prior to the month the interest credit is being allocated. The rate is divided by 12 to determine a monthly interest credit rate. The interest rate is based on the 30-year Treasury bond rate published by the IRS. These rates can be found at www.irs.gov and are published a few days after the end of each month. Except as provided in the next sentence, under no circumstances will the rate of monthly interest credits be less than 1% divided by 12. If you are covered by a labor agreement with a union described below, under no circumstances will the rate of monthly interest credits be less than 2.25% divided by 12.

- International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers, Local 130 (Baltimore, Maryland)
- International Brotherhood of Electrical Workers, Local 1805 (Baltimore, Maryland)
- Federation of Independent Salaried Unions, Salaried Employees Association (Baltimore, Maryland)
- International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers, Local 130 (Hagerstown, Maryland)
- International Association of Machinists and Aerospace Workers, Local 2772 (Kings Bay, Georgia)

## Special Layoff Early Retirement Benefit

Your opportunities for satisfying the special layoff early retirement requirements under the Electronic Systems Plan have been expanded. For benefit commencement dates beginning on or after January 1, 2010, if you go to work in a position with a business unit covered by a collective bargaining agreement, your service in that position counts for purposes of meeting the service requirements for the special layoff provision even if the agreement does not provide for participation in the Electronic Systems Plan. Also, you may grow into the age-related requirement while you are employed in a position with a business unit covered by a collective bargaining agreement even if the agreement does not provide for participation in the Electronic Systems Plan. (For a description of the special layoff provision, please refer to the Program SPD).