Sandia National Laboratories

A Department of Energy National Laboratory

Retirement Income Plan

RIP

Summary Plan Description

Effective: January 1, 2003

SAND 2004-2783 W

Retirement Income Plan

How well you prepare for retirement is really up to you. Financial considerations will play a big part in your retirement decisions. The Sandia Corporation Retirement Income Plan (RIP) provides a source of continuing income during your retirement. This pension supplements your income from savings, such as your account balance in the Savings and Income Plan, and Social Security.

This booklet explains how to determine if you will be eligible for a pension when you retire or terminate your employment. RIP provides three different types of pensions: (1) service pensions; (2) disability pensions; and (3) deferred vested pensions. Under certain circumstances, pension benefits can be continued to your spouse or other designated beneficiaries following your death.

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

This booklet is a summary of the Sandia Corporation Retirement Income Plan as of January 1, 2003. The pension benefits described in this booklet apply to employees who retire or terminate on or after this date. More detailed information is contained in the official Retirement Income Plan documents, which govern the operation of this plan. Please read this booklet carefully and share it with your family.

The Retirement Income Plan (RIP) is maintained at the discretion of Sandia and is not intended to create a contract of employment. The Sandia Board of Directors (or designated representative) reserves the right to suspend, change, modify, or discontinue the Plan at any time without prior notice, subject to applicable collective bargaining agreements. Of course, should Sandia take any such action, it would be subject to legal and Plan provisions regarding your benefits earned to the date of any such action.

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Highlights

This section contains a brief description of Plan changes that have been implemented since the previous Retirement Income Plan Summary Plan Description of January 2000.

Summary of Plan Changes

- The benefit formula has been changed to ***High-3 average pay multiplied by a Retirement Age Factor multiplied by net credited pension service***.
- The definition of earnings used in the new benefit formula has been simplified to include base pay plus eligible nonpermanent cash compensation awards.
- The charges for survivor annuity coverage have been reduced.
- The Joint and 100% Surviving Spouse Annuity has become the default distribution option for both pre- and post-retirement coverage.
- Post-doctoral appointee and nonrepresented limited term employees are now eligible to participate in the Plan.

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Who Is Eligible to Participate?

Eligible Employee

You are eligible to participate in the Plan if you are

- A regular, nonrepresented employee;
- A post-doctoral appointee; or
- A nonrepresented limited term employee,

and are not eligible to participate in the Pension Security Plan. You are not eligible if you do not receive a W-2 form from Sandia for a Plan Year.

Effective Date of Participation

Eligible employees automatically become Plan participants upon attainment of age 21 and completion of one year of service.

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Who Pays for My Pension Benefits?

Cost

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

Employer Contributions

The amount of Sandia's contribution to the Trust (if any) is determined annually by the Plan's enrolled actuary. Plan benefits are paid by Prudential Financial from Trust assets. The Trust assets are held under a contract with Prudential Financial (30 Scranton Office Park, Scranton, PA, 18507-1789) and under a trust agreement with The Northern Trust Company (50 South LaSalle Street, Chicago, IL 60675).

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Service and Bridging Rules

Net Credited Pension Service

Net credited pension service is used to calculate your pension benefit. It is determined by your term of employment less the period for which you were eligible to contribute to the prior Plan before July 1, 1975, and

- Elected not to make contributions; or
- Elected to withdraw and not repay your contributions if you terminated and were later rehired.

Your net credited pension service may also include

- Up to 30 days of service credit upon reinstatement following an approved leave of absence;
- Prior periods of employment that have been bridged under the rules described below (subject to repayment of your withdrawn accumulation plus interest or lump sum distributions plus interest, if applicable); and
- Prior periods of employment with a parent organization that have been bridged under the rules described below, subject to the transfer of supporting assets from the parent organization's pension plan.

Part-time employees receive prorated pension service credit based on their scheduled hours of work in relation to a full-time employee.

Vesting Service

Vesting service determines your eligibility for a deferred vested pension. Your pension benefit will become vested, or nonforfeitable, after you have completed five years of vesting service. Beginning with the year of your 18th birthday, a year of vesting service is a calendar year in which you are credited with 1,000 hours of service.

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

Bridging Rules

If you terminate your employment with Sandia and are later rehired, your net credited pension service and vesting service before your break in service cannot be included with your service after the break until it is bridged.

If you terminate before you are vested and later return to work for Sandia, your prior net credited pension service and/or vesting service will be restored when you complete 1,000 hours of service if the number of your consecutive one-year breaks in service was

- Less than five, **and**
- Less than the number of years of service you earned before your break in service.

If you were not vested before your termination from Sandia and do not meet the above conditions, you will bridge your prior credited pension service and vesting service when you complete five years of continuous service after your re-employment.

Once you complete five years of vesting service, you cannot lose credit for those years. If you terminate with a vested right to a pension benefit and are later rehired, your prior credited pension service and vesting service will be restored and included with your current service when you complete 1,000 hours of service after re-employment.

These rules apply to breaks in vesting service occurring on or after January 1, 1985. Please consult your Benefits representative at SNL, New Mexico, or SNL, California, if you have questions on the bridging rules that apply to breaks in service before January 1, 1985.

When Can I Retire?

Service Pension

You are eligible to retire with a service pension when you meet **both** the following **minimum** age and term of employment requirements:

Minimum Age	Minimum Term of Employment
Any age	30 years
50	25 years
55	20 years
60	15 years
65	10 years

Your term of employment used to determine eligibility for a service pension will not be affected by working part time.

If you leave Sandia before meeting the requirements for a service pension, you may be eligible for a deferred vested pension (see page 21).

Disability Pension

You are eligible to retire with a disability pension if your term of employment is at least 15 years and

- You become permanently and totally disabled, **and**
- You remain disabled after you have exhausted your Sickness Absence benefits.

To be considered permanently and totally disabled, Sandia must determine that

- You are unable as a result of the disability to perform the duties of your assigned job or any other work made available by Sandia appropriate to your education, training, and experience;

- The disability is not the result of military service, involvement in a crime, an intentionally self-inflicted injury, or your unreasonable refusal to accept medical treatment; **and**
- The disability will be permanent and continuous for the rest of your life.

How Is My Pension Calculated?

Benefit Formulas

Your pension will be calculated using two different formulas – the High-3 formula and the High-5 formula.

If you retire or terminate with a deferred vested pension before December 19, 2005, you will receive the highest amount produced by these formulas as of your termination date.

If you are an active employee on December 18, 2005, Sandia will calculate your benefit under both formulas as of that date. If the High-5 formula produces the higher result on that date, Sandia will store that amount as your guaranteed minimum service, disability or deferred vested pension benefit. You will not earn additional benefits under the High-5 formula for service after December 18, 2005.

If you retire or terminate with a vested benefit after December 18, 2005, you will receive the greater of

- The benefit calculated under the High-3 formula as of your termination date, or
- Your guaranteed minimum benefit under the High-5 formula as of December 18, 2005.

High-3 formula

Your annual pension benefit under the High-3 formula is equal to

High-3 final average pay × a Retirement Age Factor × net credited pension service.

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

For purposes of the High-3 formula, your eligible pension earnings include your base pay plus nonpermanent cash compensation awards, including Individual Performance Awards, Sandia Awards for Excellence, Special Recognition Awards, and Distinguished or Advancement Awards.

To comply with IRS benefit limitations, net credited pension service will be limited to 50 years for the High-3 formula.

Your **Retirement Age Factor** will be determined by your age, stated in terms of years and fully completed months since your last birthday, on your last day of Sandia employment. The factors are illustrated in the following table:

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

The **Retirement Age Factor** used for all those who do not meet the age and service requirements for an immediate service pension will be 2.0%, which is the factor that applies at the normal retirement age of age 65.

High-5 formula

Your annual pension benefit under the High-5 formula is equal to

High-5 final average pay × 1.5% × net credited pension service.

Your **High-5 final average pay** is calculated by taking the sum of your eligible pension earnings for the consecutive 60 full calendar months within the most recent ten years that produce the highest result, and dividing by five.

For purposes of the High-5 formula, your eligible pension earnings include your base pay and the following, if applicable:

- Nonpermanent cash compensation awards, including Individual Performance Awards, Sandia Awards for Excellence, Special Recognition Awards, and Distinguished or Advancement Awards;
- Shift premiums;
- Weekend premiums;
- Temporary assignment allowances;
- Supplementary allowances;
- Rate reduction allowances;
- Special project allowances for assignments begun before December 1, 1983; and
- Clothes change time.

Earnings for the High-5 formula do not include overtime pay or other payments not listed above.

Example 1:

Let's assume that an employee with the following personal data retires with a service pension on October 1, 2003:

Date of birth	September 30, 1941
Retirement age	62 years, 0 months
Net credited pension service	30 years
High-3 final average pay	$60,000
High-5 final average pay	$57,000

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

	High-3 Formula	High-5 Formula
Final average pay	$60,000.00	$57,000.00
Multiplied by net credited pension service	× 30	× 30
Multiplied by retirement factor	× .02	× .015
Annual pension	$36,000.00	$25,650.00
Monthly pension	$ 3,000.00	$ 2,137.50

In this example, the High-3 formula produces the higher amount, and the employee would be entitled to a monthly pension of $3,000.

Example 2:

Let's assume that an employee with the following personal data retires with a service pension on October 1, 2006:

Date of birth	September 30, 1941
Retirement age	65 years, 0 months
Net credited pension service on December 18, 2005	32.2165 years
Net credited pension service on October 1, 2006	33 years
High-3 final average pay on October 1, 2006	$70,000
High-5 final average pay on December 18, 2005:	$64,000

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

	High-3 Formula	High-5 Formula
Final average pay	$70,000.00	$64,000.00
Multiplied by net credited pension service	× 33	× 32.2165
Multiplied by retirement factor	× .02	× .015
Annual pension	$46,200.00	$30,927.84
Monthly pension	$ 3,850.00	$ 2,577.32

The High-5 formula will only recognize service and pay earned through December 18, 2005. In this example, the High-3 formula produces the higher amount, and the employee would be entitled to a monthly pension of $3,850.

Part-time Employment

If you have a period of part-time employment, your pension will be less than if you had always worked full time. This is because your net credited pension service for a period of part-time employment is prorated based on your scheduled part-time hours compared to the scheduled hours of a full-time employee. For example, if you are scheduled to work 20 hours per week for one year, you will be credited with one-half (.5) year of net credit pension service for that period.

However, the base earnings applied to the benefit formula for periods of part-time employment are based on your annualized rate of pay for those periods.

Treatment of Absences

In case of absence, the following rules apply in computing your pension earnings for the period of the absence:

- If you received net credited pension service during the period of absence and the absence occurred during your most recent 10 years of employment, earnings for the absence will be included based on the greater of
  - Your base pay rate at the time you left, or
  - The compensation you received during the most recent equal period of employment before the absence.
- If you did not receive net credited pension service during the absence and the absence occurred during your most recent 10 years of employment, earnings will be included in the benefit formula based on the compensation you received during the most recent equal period of employment before the absence.

Early Retirement Penalties

If you retire with a service pension under the High-3 formula **before age 62**, your pension will be permanently reduced. The early retirement penalties are reflected in the retirement age factors assigned to ages below 62.

Permanent early retirement reductions apply to retirements **before age 55** if you retire with a service pension under the High-5 formula. If your term of employment is less than 30 years, the reduction is equal to 0.5% for each full or partial month of retirement before age 55 (or 6% per year). If your term of employment is 30 years or longer, the reduction is equal to 0.25% for each full or partial month of retirement before age 55 (or 3% per year).

Example 1:

Let's assume that an employee with the following personal data retires with a service pension on October 1, 2003:

Date of birth	September 30, 1952
Retirement age	51 years, 0 months
Net credited pension service	26 years
High-3 final average pay	$60,000
High-5 final average pay	$57,000

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

	High-3 Formula	High-5 Formula
Final average pay	$60,000.00	$57,000.00
Multiplied by net credited pension service	× 26	× 26
Multiplied by retirement factor	× .0112	× .015
Annual pension	$17,472.00	$22,230.00
Less early retirement penalty (.5% for 48 months)	$ 0.00	<$5,335.20>
Adjusted annual pension	$17,472.00	$16,894.80
Adjusted monthly pension	$ 1,456.00	$ 1,407.90

Note that the High-3 retirement factor is reduced for early retirement, so there is not a separate reduction.

In this example, the High-3 formula produces the higher amount, and the employee would be entitled to a monthly pension of $1,456.00.

Example 2:

Let's assume that an employee with the following personal data retires with a service pension on October 1, 2006:

Date of birth	September 30, 1952
Age on October 1, 2006	54 years, 0 months
Age on December 18, 2005	53 years, 2 months
Net credited pension service on December 18, 2005	28.2165years
Net credited pension service on October 1, 2006	29 years
High-3 final average pay on October 1, 2006	$70,000
High-5 final average pay on December 18, 2005	$64,000

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

	High-3 Formula	High-5 Formula
Final average pay	$70,000.00	$64,000.00
Multiplied by net credited pension service	× 29	× 28.2165
Multiplied by retirement factor	× .0136	× .015
Annual pension	$27,608.00	$27,087.84
Less early retirement penalty (.5% for 12 months)	$ 0.00	<$1,625.27>
Adjusted annual pension	$27,608.00	$25,462.57
Adjusted monthly pension	$ 2,300.67	$ 2,121.88

The High-5 formula will only recognize service and pay earned through December 18, 2005. However, the early retirement penalty under the High-5 formula is based on your actual retirement date. In this example, the High-3 formula produces the higher amount, and the employee would be entitled to a monthly pension of $2,300.67.

Disability Pension

Your disability pension is calculated the same way as a service pension. However, if a disability pension begins before age 62 under the High-3 formula or age 55 under the High-5 formula, the early retirement reduction does not apply.

A disability pension will be paid as long as your disability prevents you from returning to work at Sandia.

Example:

Let's assume that an employee with the following personal data retires with a disability pension on October 1, 2003:

Date of birth:	September 30, 1952
Retirement age:	51 years, 0 months
Net credited pension service	20 years
High 3 final average pay:	$60,000
High 5 final average pay:	$57,000

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

	High-3 Formula	**High-5 Formula**
Final average pay	$60,000.00	$57,000.00
Multiplied by net credited pension service	× 20	× 20
Multiplied by retirement factor	× .02	×.015
Annual pension	$24,000.00	$17,100.00
Monthly pension	$ 2,000.00	$ 1,425.00

In this example, the High-3 formula produces the higher amount, and the employee would be entitled to a monthly pension of $2000.00.

Special Provisions for Prior Plan Employees

There are special provisions that apply to "Prior Plan Employees." You are considered a Prior Plan Employee if you were employed by Sandia before July 1, 1975, unless you were eligible to participate in the contributory plan before July 1, 1975, and elected not to do so. See Appendix B, page B-1.

Special Provisions for Former Specialty Components Employees

There are special provisions that apply to former employees of Specialty Components, Inc., whose pension benefits transferred to Sandia. See Appendix C, page C-1.

When Do Payments Begin?

Pension Commencement Date

The pension commencement date for service or disability pensions is generally the day after your last day on the active payroll. However, if you work part-time or on an alternate work schedule at the time of your retirement, your pension commencement date is the earlier of your next regularly scheduled workday or the first of the next month. The normal pension commencement date for deferred vested pensions is your 65th birthday.

You will normally receive your first pension check within 45 days after your pension commencement date.

Application for Pension

If you are eligible to retire with a service or disability pension, you may apply at any time. However, you should notify the Benefits Organization at SNL, New Mexico, or SNL, California, as soon as possible of your intention to retire. Three months notice will ensure smooth retirement processing.

Employees Age 70-½

When you reach age 70-½ and are vested in the pension plan, you will begin receiving pension payments even though you are still employed. Payments begin on the April 1 following the calendar year in which you attain age 70-½. If you continue to remain on roll, your pension will be recalculated as of each December 31 to determine the minimum required payments for the next year.

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If You Leave Sandia Before Retirement

Deferred Vested Pension

You are eligible for a deferred vested pension if you leave Sandia with at least five years of vesting service and are not eligible for a service or disability pension.

If you leave Sandia before becoming vested, you will not be entitled to any pension benefits from the Plan.

Your deferred vested pension is calculated the same way as a service pension and is based on the formula and other Plan provisions in effect when you leave Sandia. The retirement age factor used in the High-3 formula will be based on the factor at age 65, which is 2.0%. After you leave Sandia, you will receive a statement showing the amount of your deferred vested pension.

Your pension will normally start when you turn age 65 (or when you terminate employment, if later). However, you may elect to begin receiving a reduced pension at an earlier date under the following circumstances:

- If your term of employment is at least 20 years, you may begin receiving payments after you turn age 55; or
- If your term of employment is at least 25 years, you may begin receiving payments after you turn age 50.

If payments start before you turn age 65, your deferred vested pension will be reduced to reflect the longer payment period. The amount of the reduction is based on your age when payments begin—the younger you are, the larger the reduction. Appendix D, on page D-1, shows the reduction without a Joint and 100% Surviving Spouse Annuity. Appendix E, on page E-1, shows the reduction with a Joint and 100% Surviving Spouse Annuity. (See page 27 for an explanation of the Joint and 100% Surviving Spouse Annuity.)

Deferred vested pensions are not paid automatically. You must apply in writing to the Benefits Organization at SNL, New Mexico, or SNL, California, not earlier than 150 days before the date you wish payments to begin.

If the present value of your deferred vested pension is $5,000 or less, your pension will be paid in a lump sum (see page 30).

Preretirement Survivor Annuity

If you are married when you leave Sandia, your deferred vested pension will automatically be reduced to provide a survivor annuity unless you waive the survivor annuity with the written notarized consent of your spouse. To qualify for this annuity, your spouse must have been married to you for the whole year before your death.

In effect, the Preretirement Survivor Annuity coverage protects your spouse's right to a survivor annuity if you die after you terminate your employment with Sandia but before you begin receiving payment of your deferred vested pension. Upon your death, your surviving spouse receives a lifetime annuity equal to your reduced deferred vested pension computed as if you had elected the Joint and 100% Surviving Spouse Annuity described on page 27.

Payments normally begin on the date you would have turned age 65. However, payments may begin earlier in a reduced amount if your term of employment was at least 20 years (see page 21). If the present value of the annuity is $5,000 or less, your spouse's pension will be paid in a lump sum (see page 30).

You can decline or reelect this coverage at any time (and change your mind as often as you wish, with spousal consent) after you leave Sandia and before you begin receiving pension payments. If you elect this coverage, your pension will be permanently reduced, once you start receiving payments, to pay for the cost of each full or partial calendar year the coverage is in effect.

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

Your age on Jan. 1 of year of coverage	Reduction for each full or partial year of coverage
Less than 45	.30% (.003)
45–54	.40% (.004)
55–59	.70% (.007)
60–64	1.00% (.010)

Example:

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

Annual pension at age 65	$6,000.00
Reduced by:	
1 year (age 59) × .007 × $6,000	$ 42.00
5 years (ages 60 – 64) × .010 × $6,000	$ 300.00
Total reduction	$ 342.00
Reduced annual pension at age 65 ($6,000 – $342)	$5,658.00
Reduced monthly pension at age 65 ($5,658 ÷ 12)	$ 471.50

IMPORTANT **This example illustrates the reduction in a pension for the cost of pre-retirement survivor annuity coverage. An additional reduction will apply for post-retirement survivor annuity coverage when pension payments begin (see descriptions on pages 27 and 28).**

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If You Die While Still Employed

Preretirement Survivor Annuity

As an active employee, if you die after becoming eligible for a deferred vested pension (but before completing a term of employment of at least 15 years or becoming eligible for a service pension), your eligible surviving spouse will receive a lifetime annuity equal to your reduced deferred vested pension amount. To qualify for this annuity, your spouse must have been married to you for the whole year before your death.

Your reduced deferred vested pension amount is computed as if you had terminated employment on the date you died and elected the Joint and 100% Surviving Spouse Annuity at age 65 (subject to a 14% reduction). See page 27 for an explanation of the Joint and 100% Surviving Spouse Annuity.

The Joint and 100% Surviving Spouse annuity will be payable monthly to your spouse starting with the date you would have turned age 65. However, if the present value of the annuity is $5,000 or less, your spouse's pension will be paid in a lump sum (see page 30).

Automatic Survivor Annuity

As an active employee, if you die after completing a term of employment of at least 15 years or becoming eligible for a service pension, your surviving spouse will receive a lifetime annuity equal to your reduced pension benefit. This benefit is computed as if you had retired on the date you died and elected the Joint and 100% Surviving Spouse Annuity (subject to a 10% reduction). The early retirement reduction does not apply, even if you died before reaching age 55 or 62. See page 27 for an explanation of the Joint and 100% Surviving Spouse Annuity.

The survivor annuity will be payable monthly to your spouse starting on the day after your death. However, if the present value of the annuity is $5,000 or less, your spouse's pension will be paid in a lump sum (see page 30).

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Payment Options

Joint and 100% Surviving Spouse Annuity

If you are married when your pension commences, your pension will automatically be reduced to provide a Joint and 100% Surviving Spouse Annuity unless you waive this form of payment with the written notarized consent of your spouse.

Your monthly service or disability pension amount is reduced by 10% (or 14% for deferred vested pensions) to provide this survivor annuity. Following your death, the spouse to whom you were married on the date your pension commences will receive a lifetime annuity equal to your reduced pension.

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

There is a 90-day period before your pension commences (or, if later, 90 days after the date your pension estimate and a description of the Joint and 100% Surviving Spouse Annuity option are mailed or personally delivered to you) during which you may submit a signed election or waiver of the survivor annuity to your Benefits Organization at SNL, New Mexico or SNL, California. You have the right to change your mind (with spousal consent) any time during the 90-day election period. However, your election or waiver cannot be changed for any reason after the 90-day election period ends, including a change in your marital status.

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

Example:

Let's assume the employee in Example 1 on page 13 is married at the time of retirement and elects the Joint and 100% Surviving Spouse Annuity. Here is an illustration of that employee's pension benefits:

Adjusted monthly pension	$3,000.00
10% reduction for survivor annuity	– 300.00
Employee's monthly pension	$2,700.00
Surviving spouse's monthly pension	$2,700.00

Single Life Annuity

The Single Life Annuity option pays a monthly pension for as long as you live. Upon your death, all pension payments stop. If you are married when your pension payments commence and you wish to elect this option, you must obtain the written, notarized consent of your spouse to decline the Joint and 100% Surviving Spouse Annuity within the 90-day period before your pension commences (or, if later, 90 days after the date your pension estimate and a description of the Joint and 100% Surviving Spouse Annuity option are mailed or personally delivered to you).

Joint and 50% Surviving Spouse Annuity

The Joint and 50% Surviving Spouse Annuity is available if you are married when your pension payments commence. Your monthly service or disability pension amount is reduced by 5% (or 7% for deferred vested pensions) to provide this survivor annuity. Following your death, the spouse to whom you were married on the date your pension began will receive a lifetime annuity equal to one-half of your reduced pension.

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

If you are married when your pension payments commence and you wish to elect this option, you must obtain the written, notarized consent of your spouse to decline the Joint and 100% Surviving Spouse Annuity within the 90-day period before your pension commences (or, if later, 90 days after the date your pension estimate and a description of the Joint and 100% Surviving Spouse Annuity option are mailed or personally delivered to you).

If the Joint and 50% Surviving Spouse Annuity is in effect when your pension payments commence, the person to whom you were married on your retirement

date remains entitled to the survivor annuity even if you are later separated or divorced. This is true whether either or both of you remarry.

Example:

Let's assume the employee in Example 1 on page 13 is married at the time of retirement and elects the Joint and 50% Surviving Spouse Annuity. Here is an illustration of that employee's pension benefits:

Adjusted monthly pension	$3,000.00
5% reduction for survivor annuity	– 150.00
Employee's monthly pension	$2,850.00
	× 50%
Surviving spouse's monthly pension	$1,425.00

Joint and 50% Contingent Survivor Annuity

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

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

If you are married when your pension payments commence and you wish to elect this option, you must obtain the written, notarized consent of your spouse to decline the Joint and 100% Surviving Spouse Annuity within the 90-day period before your pension commences (or, if later, 90 days after the date your pension estimate and a description of the Joint and 100% Surviving Spouse Annuity option are mailed or personally delivered to you).

Example:

Let's assume the employee in Example 1 on page 13 is not married at the time of retirement and names a niece who is 30 years younger as a contingent annuitant. Here is an illustration of that employee's pension benefits:

Adjusted monthly pension	$3,000.00
Multiplied by reduction factor for 30 years from Appendix G	× .896
Employee's monthly pension	$2,688.00
	× 50%
Surviving annuitant's monthly pension	$1,344.00

Lump Sum Distributions

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

The following benefits may be paid in a lump sum:

- A deferred vested pension;
- A Preretirement Survivor Annuity or Joint and Survivor Annuity (payable to the eligible spouse of a deferred vested pensioner); and
- A Preretirement Survivor Annuity or Automatic Survivor Annuity (payable to the eligible spouse of a vested active employee).

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

If you return to work within five years after receiving a lump sum distribution, you must repay the amount of the lump sum plus interest compounded annually at 120% of the applicable federal mid-term rate (AFR) in order to bridge your previous service (see "Bridging Rules" on page 8). The repayment must be made by the earlier of:

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

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

Transfers from the PSP

Your participation in this Plan or the Pension Security Plan is determined by your job classification. Until you complete twelve consecutive months of service in this Plan following a transfer from the Sandia Corporation Pension Security Plan, your pension will be determined under the provisions of the Pension Security Plan.

Once you complete twelve consecutive months of service in this Plan, your pension will be determined under the provisions of this Plan. In no event will your benefit from this Plan be less than the benefit calculated under the Pension Security Plan on your last day covered by that Plan.

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Benefit Claim and Appeal Procedures

To File a Claim

Employees, retirees, their beneficiaries, and former employees who are eligible for a deferred vested pension or any individual duly authorized by them have the right under the Employee Retirement Income Security Act of 1974 (ERISA) and the Plan to file a written claim for payment. A claim may also be filed if it is believed that net credited pension service or vesting service have not been computed correctly. The written claim should be sent to the Employee Benefits Committee at SNL, New Mexico.

If a Claim Is Denied

If your claim is denied either in whole or in part, you will receive written notification from the Employee Benefits Committee stating the reason for the denial within 90 days after the Committee received the claim.

If the Committee needs more than 90 days to make a decision, it will notify you in writing within the initial 90-day period and explain why more time is required. The Committee may take 90 more days—for a total of 180 days—to decide. The extension notice will show the date by which the Committee's decision will be sent.

If your claim is denied, the Committee will provide in its written notification to you

- The specific reason(s) for the denial,
- References to pertinent Plan provisions,
- A description of any additional material or information needed from you, and
- An explanation of the steps to be taken if you wish to submit your claim for further review.

To Appeal a Denied Claim

You can use the appeal procedure if

- You received no reply at all within 90 days;
- The Committee extended the time by an additional 90 days and you still received no reply;
- You received written denial of the claim within the appropriate time limit and wants to appeal it.

If a claim for benefits, net credited pension service, or vesting service is denied in whole or in part, you or your duly authorized representative may appeal in writing within 60 days after the denial is received. The appeal should be sent to the Chairman, Employee Benefits Committee. The Chairman will submit the request to the Employee Benefits Claim Review Committee. It will conduct a review and make a final decision within 60 days after receipt of the written request for review.

If the Employee Benefits Claim Review Committee needs more than 60 days to decide, it will notify you in writing within the initial 60-day period and explain why more time is required. The Committee may then take 60 more days—for a total of 120 days—to decide. The Committee will notify you in writing of the decision, including the specific reason(s) for the decision. If the Committee does not respond within 60 (or 120) days, you may consider the claim denied.

If you or your duly authorized representative submits a written request for review of a denied claim, you have the right to

- Review pertinent plan documents which can be obtained as described in a separate booklet in your *Sandia Employee Benefits Binder* called "ERISA Information;" and
- Send to the Chairman, Employee Benefits Committee, a written statement including an explanation and any documentation in support of the appeal.

Please note that the Plan's provisions require that you pursue all your claim and appeal rights described above before you seek any other legal recourse regarding claims for benefits, net credited pension service, or vesting service.

Other Important Information

Payments Under Law

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

Suspension of Pension During Reemployment

If you are receiving service, disability, or deferred vested pension payments, are younger than age 70-½ and return to work for Sandia, Lockheed Martin Corporation, or any company 80% owned by Lockheed Martin Corporation, your pension payments will generally be suspended for each month you continue to work. An exception to this rule applies to rehired retired employees between ages 65 and 70-½ who may be employed for up to 40 hours per month by Sandia without suspension of pension payments. Pension payments will be made even though you may be employed if you have attained age 70-½.

Unclaimed Benefits

Any unclaimed benefits payable under this Plan will remain in the Trust and may be used to offset future employer contributions to the Trust.

Maximum Limitations

Federal regulations limit the amount of benefits that can be paid to any individual from a pension plan's trust fund. These limitations normally affect only the higher-paid employees (or, in some cases, employees retiring at an early age) and

are subject to periodic change by the IRS. Any amounts in excess of these limits are paid from company operating funds.

Top-Heavy Rules

A "top-heavy" plan is a plan that provides more than 60% of its benefits to "key employees." Both "top-heavy" and "key employees" are terms defined in the Internal Revenue Code. Sandia believes it is extremely unlikely that the Plan would become top-heavy. If it should ever become top-heavy, you will be informed and the Plan will be modified as prescribed by law (for example, to provide more rapid vesting).

Nonassignment of Benefits

You cannot assign or transfer amounts payable under the Plan. Similarly, amounts payable to you under the Plan may not be used to pay debts or obligations of any nature except to comply with IRS tax levies and with court-issued Qualified Domestic Relations Orders (QDROs). A QDRO could require the Plan to distribute all or part of a participant's vested benefit to an alternate payee. In order to be honored, a QDRO must meet specified legal standards, the satisfaction of which must be determined by Sandia. Participants and beneficiaries can obtain a description of the procedure for QDRO determinations at no charge from the QDRO Administrator in the Benefits Organization at SNL, New Mexico 87185-1021.

Plan Termination

Sandia intends to continue the Plan. However, federal law requires a pension plan administrator to describe in a summary plan description relevant information regarding the possibility, however unlikely to occur, of a plan termination. Federal pension law (ERISA) and most, if not all, pension plans provide for the right to terminate plans and describe what happens upon a termination. If the Plan were terminated, you could still have rights to future benefit payments, but you would not earn any further pension rights under this Plan, regardless of continuing employment with Sandia. Pension plan participants may also have certain rights to benefits insured by the Pension Benefit Guaranty Corporation, as described in the next section.

Sandia reserves the right to terminate the Plan at any time. A plan termination may be a total termination or a partial termination. A total termination would apply to all participants and beneficiaries. A partial termination would apply only to the participants and beneficiaries specified in any such termination.

If the Plan were terminated, the rights of all affected participants and beneficiaries to pension benefits computed as of the date of termination would become nonforfeitable to the extent that there are sufficient assets in the Trust to cover those benefits. In the case of a partial termination, only a portion of Trust assets would be available to pay benefits to affected participants and beneficiaries.

The Plan and federal pension law (ERISA) specify the general manner and order that the assets of the Trust will be allocated, for purposes of paying benefits computed as of the date of termination, to participants and beneficiaries. Essentially, in the event of a plan termination, the assets of the Trust would first be allocated to pay accrued benefits attributable to employee contributions and benefits to participants and beneficiaries who are already receiving benefits under the plan at the time of termination or who had the right to immediately receive such benefits if they had retired prior to the termination. There are certain limitations on the amount of assets that can be allocated to this "highest priority" category. After benefits are provided to participants and beneficiaries in this highest category, remaining assets would be allocated to other participants and beneficiaries in certain other priority categories relating to an employee's service, whether or not an employee's benefit was vested before the termination, and the amount of the employee's computed pension to the date of the termination.

The benefits that are provided upon and after a plan termination may, at the discretion of Sandia, be provided through the purchase of an insurance annuity, the distribution of a lump sum cash amount, or such other means and in such other forms as Sandia determines.

To the extent that there are remaining assets in the Trust after the allocation of amounts sufficient to cover benefits for retired employees and their spouses, active employees who have the immediate right to retire with a service pension, former employees with a deferred vested pension and other active employees, the Plan provides that amounts may be allocated for certain former employees who may have had certain pension rights under a predecessor plan.

The current termination provisions of the Plan provide that, if there are any remaining assets after making provision for the payment of all benefits earned to the date of termination, those remaining assets are to be returned to the Department of Energy, to the extent permitted by law. It should be noted that, similar to other plan provisions, Sandia reserves the right to amend this provision relating to any remaining assets in the event of plan termination to provide for some other disposition of remaining assets. Sandia also reserves the right to amend, in a manner consistent with required provisions under pension law, plan terms regarding the allocation of pension assets upon a plan termination. Sandia would notify you of any such amendment.

Pension Benefit Guaranty Corporation

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

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

The PBGC guarantee generally does not cover (1) benefits greater than the maximum guaranteed amount set by law for the year in which the plan terminates; (2) some or all of benefit increases and new benefits based on plan provisions that have been in place for fewer than five years at the time the plan terminates; (3) benefits that are not vested because you have not worked long enough for the company; (4) benefits for which you have not met all of the requirements at the time the plan terminates; (5) certain early retirement payments (such as supplemental benefits that stop when you become eligible for Social Security) that result in an early retirements monthly benefit greater than your monthly benefit at the plan's normal retirement age; and (6) nonpension benefits, such as health insurance, life insurance, certain death benefits, vacation pay, and severance pay.

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

For more information about the PBGC and the benefits it guarantees, ask your Sandia Benefits representative or contact the PBGC's Technical Assistance Division, 1200 K Street N.W., Suite 930, Washington, D.C. 20005-4026 or call 202-326-4000 (not a toll-free number). TTY/TDD users may call the federal relay service toll-free at 1-800-877-8339 and ask to be connected to 202-326-4000. Additional information about the PBGC's pension insurance program is available through the PBGC's website on the Internet at http://www.pbgc.gov.

ERISA Information

As a participant in the RIP, you are entitled to certain rights and protections under ERISA. This information, as well as certain general information concerning the Plan, is included in your *Sandia Employee Benefits Binder* as a separate booklet called "ERISA Information."

Appendix A

Acronyms and Definitions

Acronyms

AFR	Applicable federal mid-term rate
ERISA	Employee Retirement Income Security Act of 1974
PBGC	Pension Benefit Guaranty Corporation
PPA	Personal Pension Account
PSP	Sandia Corporation Pension Security Plan
QDRO	Qualified Domestic Relations Order
RIP	Sandia Corporation Retirement Income Plan
SNL	Sandia National Laboratories
VPA	Voluntary Pension Account

Definitions

accumulation	Contributions made to the prior contributory pension plan for service before July 1, 1975, plus interest on those contributions credited to retirement date.
actuary	An independent expert who estimates how much money must be contributed each year to a trust to provide benefits under the pension plan.
break in service	A calendar year in which you are absent without pay and credited with less than 501 hours of service. You will not incur a break in service if you are credited with less than 501 hours of service because of an approved leave of absence, an absence during a period of disability benefits, or a temporary layoff.
hour of service	Each hour for which you are paid or entitled to payment as a regular employee of Sandia, including paid absences such as vacation, holiday, illness, disability, or jury duty.
net credited pension service	Your Sandia term of employment (adjusted for part-time employment) less the period for which you were eligible to contribute to the prior plan before July 1, 1975, and either elected not to make contributions, or elected to withdraw and not repay your contributions if you terminated and were later rehired.
normal retirement age	For employees hired before age 60, normal retirement age is when you turn 65. For employees hired on or after their 60th birthday, normal retirement age is when you complete five years of employment and become eligible for a deferred vested pension.
parent organization	A company that directly or indirectly owns at least 80% of the stock of Sandia.

Plan	Sandia Corporation Retirement Income Plan.
plan year	A calendar year, beginning each January 1 and ending on December 31.
Prior Plan	The predecessor Retirement Income Plan, as in existence before July 1, 1975.
regular employee	Any full-time or part-time Sandia employee scheduled to continue working 20 or more hours a week for an indefinite period of time.
Sandia	Sandia Corporation.
term of employment	All your current years of continuous employment as a regular employee with Sandia, plus any eligible prior service transferred from a parent organization and recognized by Sandia. As allowed by company policy, term of employment may also include periods of previous service, non-regular service, and certain absences.
Trust	Sandia Corporation Pension Trust.
vesting	An event that causes your Plan benefit to become nonforfeitable.
year of vesting service	A calendar year of Sandia employment, beginning with the later of your year of employment or the year of your 18th birthday, in which you are credited with 1,000 hours of service.

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Appendix B

Special Provisions for Prior Plan Employees

Formula 1

Prior Plan employees are entitled to a pension benefit no less than the one produced by the following Formula 1:

Formula 1 is the sum of

- Your benefit accrual as of December 31, 1966; plus
- For each year after 1966, 1% of the first $3,000 of career average annual earnings plus 2% of the excess annual earnings over $3,000.

If you retire with 20 years of service or after age 60, your Formula 1 benefit will include a temporary annual adder equal to $30 multiplied by your years of participation in the Prior Plan before April 1, 1981. This adder will be paid until you are eligible for unreduced Social Security benefits.

Under Formula 1, your pension will be reduced for early retirement. The reduction is equal to .1% for each full or partial month before age 65 for Prior Plan employees who are at least 60 or have 20 or more years of service. The early retirement reduction for Prior Plan employees who do not meet these conditions is as follows:

Years between early retirement age and normal retirement age	Payment factor
0	1.00
1	.93
2	.87
3	.81
4	.76
5	.71
6	.67
7	.63
8	.60
9	.56
10	.53

Formula I does not apply for retirements before age 55.

If Formula 1 produces a greater benefit than the current formulas, the difference between the Formula 1 and High-5 or High-3 benefits will be paid in a lump sum by Sandia from company operating expenses. The value of the lump sum will be determined by actuarial calculations.

Withdrawal of Accumulation

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

If you die while you are an active employee and your surviving spouse chooses to withdraw your accumulation upon your death, the survivor annuities described on page 25 (whichever applies) will be forfeited.

If you die after termination of employment and you did not waive survivor annuity coverage, your accumulation cannot be withdrawn.

Minimum Death Benefit

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

If you had an accumulation in the Plan at retirement, and you were not married when you retired, or you elected a survivor annuity and your spouse died before you, your beneficiary (or estate) will receive the greater of

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

Tax Aspects

Under current federal income tax law, a portion of each pension annuity payment will be treated as a recovery of employee contributions and will be nontaxable. The portion of the payment that is not taxable is prorated based on your life expectancy (or the joint life expectancy of you and your spouse, if applicable). If you (and your spouse, if applicable) die before recovering tax-free the full amount you contributed, the amount that was not recovered is deductible on your (or your spouse's) final tax return. This calculation is performed by Prudential Financial and is reported annually on your Form 1099-R.

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Appendix C

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

Pre-1989 Mandatory Contributions

If you participated in the Specialty Components, Inc., Pension Plan before 1988, you were required to make contributions to that plan. Interest is credited on those contributions at rates established by that plan. You may withdraw your pre-1989 contributions plus interest only if you terminate your employment with Sandia other than by retirement. If you are eligible for a deferred vested pension and you withdraw your pre-1989 contributions plus accumulated interest, you may still be entitled to a pension at age 65. However, your pension will be reduced by the value of the pre-1989 contributions that you withdrew plus an additional 1% to 6% depending on your age at the time of withdrawal.

Personal Pension Account (PPA)

If you participated in the Specialty Components, Inc., Pension Plan after 1988, you may have made contributions to a Personal Pension Account (PPA). Interest is credited on those contributions at rates established by that plan.

Voluntary Pension Account (VPA)

If you participated in the Specialty Components, Inc., Pension Plan after 1988, you may have made contributions to a Voluntary Pension Account (VPA). Interest is credited on those contributions at rates established by that plan.

Payment Options

At retirement or termination before retirement, you may elect to

- Convert your PPA and VPA account balances to monthly payments starting immediately after your pension commences;

- Withdraw all or a portion (minimum $500) of your PPA and VPA account balances, with the consent of your spouse if you are married; or
- Defer receipt of your PPA and VPA accounts, but not beyond April 1 of the year following the calendar year in which you reach age 70½.

Whatever decision you make applies to both your PPA and VPA balances.

Appendix D

Early Retirement Factors—Deferred Vested Pensions Without Joint and 100% Surviving Spouse Annuity

Factors show the percentage of pension payable based on completed years and months of age at commencement of deferred vested pension.

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

Example:

Deferred vested pension at 65 (after any reduction for the Preretirement Survivor Annuity) ..... $500 per month
Age at pension commencement date ..... 55 years, 3 months
Early retirement factor ..... 47% (.47)
Reduced pension payable at age 55 years, 3 months ($500 × .47) ..... $235.00 per month

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Appendix E

Early Retirement Factors—Deferred Vested Pensions with Joint and 100% Surviving Spouse Annuity

Factors show the percentage of pension payable based on completed years and months of age at commencement of deferred vested pension.

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

Example:

Deferred vested pension at 65 (after any reduction for the Preretirement Survivor Annuity) ..... $500 per month
Age at pension commencement date ..... 55 years, 3 months
Early retirement factor ..... 40% (.40)
Reduced pension payable at age 55 years, 3 months ($500 × .40) ..... $200.00 per month

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Appendix F

Early Retirement Factors—Deferred Vested Pensions with Joint and 50% Surviving Spouse Annuity

Factors show the percentage of pension payable based on completed years and months of age at commencement of deferred vested pension.

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

Example:

Deferred vested pension at 65 (after any reduction for the Preretirement Survivor Annuity) ..... $500 per month
Age at pension commencement date ..... 55 years, 3 months
Early retirement factor ..... 44% (.44)
Reduced pension payable at age 55 years, 3 months ($500 × .44) ..... $220.00 per month

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Appendix G

Reduction Factors—Service and Disability Pensions with Joint and 50% Contingent Survivor Annuity

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

Participant's Age Minus Beneficiary's Age	Reduction Factor
0	.950
1	.950
2	.950
3	.950
4	.948
5	.946
6	.944
7	.942
8	.940
9	.938
10	.936
11	.934
12	.932
13	.930
14	.928
15	.926
16	.924
17	.922
18	.920
19	.918
20	.916
21	.914
22	.912

Participant's Age Minus Beneficiary's Age	Reduction Factor
23	.910
24	.908
25	.906
26	.904
27	.902
28	.900
29	.898
30	.896
31	.894
32	.892
33	.890
34	.888
35	.886
36	.884
37	.882
38	.880
39	.878
40	.876
41	.874
42	.872
43	.870
44	.868
45	.866

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Appendix H

Reduction Factors—Deferred Vested Pensions with Joint and 50% Contingent Survivor Annuity

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

Participant's Age Minus Beneficiary's Age	Reduction Factor
0	.930
1	.930
2	.930
3	.930
4	.928
5	.926
6	.924
7	.922
8	.920
9	.918
10	.916
11	.914
12	.912
13	.910
14	.908
15	.907
16	.905
17	.903
18	.901
19	.899
20	.897
21	.895
22	.893

Participant's Age Minus Beneficiary's Age	Reduction Factor
23	.891
24	.889
25	.887
26	.885
27	.883
28	.881
29	.879
30	.877
31	.875
32	.873
33	.871
34	.869
35	.867
36	.865
37	.863
38	.861
39	.860
40	.858
41	.856
42	.854
43	.852
44	.850
45	.848

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