

**SUMMARY OF HEALTH AND WELFARE BENEFIT CHANGES FOR 2011
NEGOTIATIONS BETWEEN LOCKHEED MARTIN SPACE SYSTEMS
COMPANY – SUNNYVALE AND THE INTERNATIONAL ASSOCIATION
OF MACHINISTS AND AEROSPACE WORKERS (IAM), AFL-CIO AND
DISTRICT LODGE 725, LOCAL 2228 – SUNNYVALE/SANTA CRUZ;
LOCAL 2786 – SANTA BARBARA; LOCAL 610 – BREVARD COUNTY**

ACTIVE CHANGES

THE FOLLOWING CHANGES WILL BE EFFECTIVE **JANUARY 1, 2012:**

I. MEDICAL PLANS

- A. Continue the current Health Maintenance Organization (HMO) as an available plan offering to active employees through December 31, 2011.
- B. The Kaiser Northern California HMO will continue to be available where it is currently offered to **all** bargaining unit employees in Northern California.
- C. Blue Cross Blue Shield of California HMO will continue to be available where it is currently offered to **all** bargaining unit employees in Santa Cruz and Vandenberg, CA. Aetna Florida HMO will continue to be available where it is currently offered to **all** bargaining unit employees in Brevard County.
- D. Kaiser Northern California HMO, Blue Cross Blue Shield of California HMO, and Aetna Florida HMO plans will continue through the length of the collective bargaining agreement.**
- E. All other HMO plans will be eliminated as available health insurance options effective December 31, 2011.
- F. Continue the current Preferred Provider Organization (PPO) as an available plan offering to active employees through December 31, 2011.
- G. The PPO plan will be eliminated as an available health insurance option effective December 31, 2011.

II. LM HEALTHWORKS MEDICAL PLAN

- A. The LM HealthWorks Plan (LMHW) will be offered as an available plan offering effective January 1, 2012.
- B. Effective January 1, 2012, the Corporate-wide LM HealthWorks Plan will be offered to all **individuals of the members of the IAM** bargaining unit. During the life of the agreement there will be no changes to the co-insurance, the calendar year deductible amounts, the calendar year out-of-pocket maximum, medical plan or the prescription drug formula. Should the Company expand health care options during the term of this agreement, such

options will be extended to **individuals ~~the members~~** covered by this agreement on an identical design basis. Employees will have coverage level options of Employee Only, Employee + 1 or Employee + 2 or more.

III.EMPLOYEE CONTRIBUTIONS TO MEDICAL PLANS

- A. The current health care plan contributions will continue during 2011.
- B. The current two-tiered coverage level (Single and Family) will continue through December 31, 2011. Effective January 1, 2012, the coverage level will change to a three-tiered coverage level structure (Employee Only, Employee + 1, and Employee + 2 or more).
- C. Effective January 1, 2012, the Company will pay 87% of the cost of the LM HealthWorks medical plan. The employee will contribute 13% of the cost of the LM HealthWorks medical plan.
- D. Effective January 1, 2012, the Company will pay 85% of the premium cost of the HMO medical plans as outlined in Section I, B and C, and the employee will pay 15% of the premium cost of the HMO medical plans outlined in Section I, B and C.
- E. Continue the opt-out credit for medical coverage: \$11.54 per week but only if an employee is not covered as a dependent under another Company-sponsored medical plan. (Part-time employees may not receive opt-out credits as part of their pay.)

IV.DENTAL PLANS – NO BENEFIT LEVEL CHANGES

- A. Continue the current Dental plan options. The Comprehensive Dental and Managed Dental plan will continue to be Company Paid. There will be no cost to the employee. For the Comprehensive Plus Dental Plan, the employee will continue to pay the difference between the cost of the Comprehensive and the Comprehensive Plus Plans.
- B. The current two-tiered coverage level (Single and Family) will continue through December 31, 2011. Effective January 1, 2012, the coverage level will change to a three-tiered coverage level structure (Employee Only, Employee + 1, and Employee + 2 or more).
- C. Continue the opt-out credit for dental coverage: \$2.31 per week but only if an employee is not covered as a dependent under another Company-sponsored dental plan. (Part-time employees may not receive opt-out credits as part of their pay.)

V. VISION PLAN – NO BENEFIT LEVEL CHANGES

- A. Continue the current Vision 24 Plan. The cost of the Vision 24 Plan will continue to be Company paid. There will be no cost to the employee.
- B. Continue the current Vision 12 Plan. The cost of the Vision 12 plan will be paid by the employee to the extent that the cost of such plan exceeds the Company contribution for the Vision 24 Plan.
- C. The current two-tiered coverage level (Single and Family) will continue through December 31, 2011. Effective January 1, 2012, the coverage level will change to a three-tiered coverage level structure (Employee Only, Employee + 1, and Employee + 2 or more).

VI. COMPANY PAID LIFE AND AD&D INSURANCE (EMPLOYEE ONLY)

- A. Basic Life insurance is increased from \$29,000 to \$34,000.
- B. Basic AD&D insurance is increased from \$29,000 to \$34,000.

VII. SHORT-TERM DISABILITY

- A. Increase weekly maximum from \$310 to \$340 consistent with the offset provisions of the plan.

VIII. OTHER OPTIONAL EMPLOYEE PAID COVERAGES

- A. Group Universal Life (GUL) insurance – no coverage change.
- B. Dependent Optional Term Life (DOTL) insurance – no coverage change.
- C. Special Accident insurance – no coverage change.
- D. Health Care Spending Account (HCSA) – no change except as may be required by federal legislation.
- E. Dependent Care Spending Account (DCSA) – no change except as may be required by federal legislation.

IX. GENERAL ELIGIBILITY

- A. The 90-day waiting period for all benefits will only apply to new hires.
- B. For a new hire who does not enroll within their initial eligibility for benefits to be effective on the 91st day, the chart below outlines the default coverages that

will become effective at the end of the election period if no positive election has been made for medical, dental, or vision.

Plan	New hire default coverage level
Medical	No coverage
Dental	No coverage
Vision	No coverage

- C. The chart below outlines the default coverage for current employees that will become effective at the end of the annual enrollment election period if no positive election has been made for medical, dental, or vision.

Current plan	Default coverage level for annual enrollment
Medical: PPO HMO (Kaiser No CA; BCBS of CA; Aetna FL HMO) HMO (All Others)	LMHW convert to appropriate coverage level HMO convert to appropriate coverage level LMHW convert to appropriate coverage level
Dental: Comprehensive Dental Comprehensive Plus Dental Managed Dental	Comprehensive Dental convert to appropriate coverage level Comprehensive Plus Dental convert to appropriate coverage level Managed Dental convert to appropriate coverage level
Vision: Vision 24 Vision 12	Vision 24 convert to appropriate coverage level Vision 12 convert to appropriate coverage level

X. LEGAL AND ADMINISTRATIVE UPDATES

- A. Update all claims, appeals and any other text in accordance with federal legislation.
- B. Update medical, dental, vision, life, accident, and disability Summary Plan Descriptions text to include current standard text changes from claims administrators.

RETIREE CHANGES

THE FOLLOWING CHANGES WILL BE EFFECTIVE **JANUARY 1, 2012:**

I. UNDER-AGE 65 RETIREES – for future retirees, except as noted below

Continue the current under-age 65 retirees Preferred Provide Option (PPO) and HMOs for retirees through the year ending December 31, 2011. These options will be available to current and future retirees through the year ending December 31, 2011.

The following under-age 65 plans will continue to be available to current and future retirees:

1. Sunnyvale: Kaiser Northern California HMO
2. Santa Cruz/Vandenberg: Blue Cross Blue Shield of California HMO
3. Brevard County: Aetna Florida HMO

All other PPO and HMO options will be eliminated as available retiree health insurance options for retirees who retire on or after March 7, 2011 effective January 1, 2012.

The LM HealthWorks Plan (LMHW) will be offered to current and future retirees effective January 1, 2012. The LMHW Plan for retirees under age 65 will be the same plan design as is in effect throughout Lockheed Martin. During the life of the agreement there will be no changes to the co-insurance, the calendar year deductible amounts, the calendar year out-of-pocket maximum, medical plan or the prescription drug formula. Should the Company expand health care options during the term of this agreement, such options will be extended to **individuals** ~~the members~~ covered by this agreement on an identical design basis. See Exhibit II.

Continue current service based contribution formula and current annual contribution cap of \$5,500/\$11,000 for employees retiring on or after March 7, 2011.

II. MEDICARE ELIGIBLE RETIREES – for future retirees, except as noted below

- A. Continue the current Medicare Eligible Retiree Medical Plan (MERMP).
- B. Continue current Contribution Formula: The retiree pays a basic monthly contribution and the Company bears the rest of the cost of coverage up to the maximum monthly Company subsidy. The retiree pays any cost over the maximum monthly Company subsidy.

For employees retiring on or after March 7, 2011, the contribution formula will be as follows:

	Single Coverage	Family Coverage *
Monthly Contributions for Medicare Eligible Retirees (MERMP and Senior HMOs)	Increase from \$20 to \$30 + 100% of the amount over the maximum monthly Company subsidy	Increase from \$40 to \$60 + 100% of the amount over the maximum monthly Company subsidy
Maximum Monthly Medicare Eligible Company Subsidy	\$330 (\$3,960 per calendar year)	\$660 (\$7,920 per calendar year)
* Standard LMC rules regarding contribution calculations apply where family members are under and over age 65.		

C. Contributions for the Senior HMOs will be the same as the formula for the MERMP.

D. Effective January 1, 2012, increase the MERMP lifetime maximum from \$23,000 to \$30,000 for employees who retire on or after March 7, 2011.