

**SUMMARY OF HEALTH AND WELFARE BENEFIT CHANGES FOR 2008  
NEGOTIATIONS BETWEEN LOCKHEED MARTIN SPACE SYSTEMS  
COMPANY, MISSILES AND SPACE OPERATIONS AND THE  
INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE  
WORKERS (IAM), AFL-CIO and THE FOLLOWING DISTRICT OR  
LOCAL LODGES**

- Aerospace Defense Related district Lodge 725, Area 5 and affiliated Local Lodge 2228 (Santa Clara County Plants)
- Aerospace Defense Related District Lodge 725, Area 5 and Space Test Base Local Lodge 2230 (Santa Cruz County Plants)
- Missile and Electronics District Lodge 166 and affiliated Florida Missiles System Local Lodge 610 (Brevard County, FL Plants)
- California Central Coast Lodge 2786 (Santa Barbara County Plants)

**ACTIVE CHANGES**

THE FOLLOWING CHANGES WILL BE EFFECTIVE **JANUARY 1, 2009:**

**I. HMO PLAN CHANGES \***

See attached Exhibit I.

\* Or the nearest available plan offering filed with the state.

**II. OTHER MEDICAL PLAN CHANGES (EXCEPT HMOs)**

- A. Continue the current Preferred Provider Organization (PPO) except for changes outlined in Exhibit II. Offer PPO as an available plan offering to all employees. Eliminate the remote access provisions.

**III.EMPLOYEE CONTRIBUTIONS TO MEDICAL PLANS**

- A. The current health care plan contributions will continue during 2008. Effective January 1, 2009, the Company will pay 87% of the cost of the medical plan selected. The employee will contribute 13% of the cost of the medical plan selected.
- B. 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.)
- C. For self-funded HMO plans, dependents over the age of 19 will be eligible for coverage to age 25 as long as they are a full-time student, and subject to all other eligibility requirements described in the Summary Plan Description.

**IV. DENTAL PLANS – NO BENEFIT LEVEL CHANGES**

- A. Continue the current Dental plans except for changes outlined in Exhibit III.

- B. 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 medical plan. (Part-time employees may not receive opt-out credits as part of their pay.)
- C. Include most recent standard text changes from claims administrator in SPD.

#### **V. VISION PLAN**

- 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. The Company will offer the 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. See Exhibit VI for summary of plan design.
- C. Include most recent standard text changes for claims administrator in SPD.

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

- A. Increase Basic Life insurance from \$26,000 to \$29,000 for eligible employees considered actively at work as of January 1, 2009.
- B. Increase Basic AD&D insurance from \$26,000 to \$29,000 for eligible employees considered actively at work as of January 1, 2009.

#### **VII. SHORT-TERM DISABILITY**

- A. Increase weekly maximum from \$280 to \$310 for those who are actively at work or on an approved leave of absence, consistent with the offset provisions of the plan.
- B. Workers' Compensation Supplemental – No Changes.

#### **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 will only apply to new hires.
- B. The chart below outlines when medical, dental, and vision coverage becomes effective, provided plan eligibility requirements are satisfied. On August 6, 2007, the IRS issued new proposed cafeteria plan regulations where they clarified requirements for Section 125 enrollment elections. The extended windows for enrollment will be eliminated as soon as administratively possible.

When you enroll	Plan coverage for you and your dependents becomes effective *
For new hires who enroll within 30 days of their initial eligibility date	On your first day of eligibility
For rehires who enroll within 30 days of initial termination	On the day you make the election
Within 30 days of a birth, adoption, or placement for adoption qualified status change	On the day of the qualifying event
Within 30 days of a qualified status change or a special enrollment rule (other than birth, adoption, or placement for adoption)	On the day you make the election
* Provided plan eligibility requirements are satisfied. If enrollment or changes are not completed within 30 days, the employee must wait until the next plan year and enroll through the annual enrollment process, or enroll if a subsequent qualified status change occurs or a special enrollment rule applies.	

- C. For life, accident, disability, HCSA, and DCSA coverages, the enrollment time frame is changed from 31 days to 30 days. (needed to comply with IRS requirements)
- D. For a new hire who does not enroll within the first 30 days of their initial eligibility, 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. (needed to comply with IRS requirements)

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

- E. 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 Elimination of HMO	PPO same coverage level HMO same coverage level PPO same coverage level as the HMO, if no active election is made
Dental: Comprehensive Dental Comprehensive Plus Dental Managed Dental	Comprehensive Dental same coverage level Comprehensive Plus Dental same coverage level Managed Dental same coverage level
Vision	Current Vision plan same coverage level

## **X. LEGAL AND ADMINISTRATIVE UPDATES**

- A. Update all claims, appeals and any other text in accordance with federal legislation.
- B. Update qualified status change and special enrollment text in accordance with changes.
- C. Update medical, dental, vision, life, accident, and disability SPDs text to include current standard text changes from claims administrators.

## RETIREE CHANGES

THE FOLLOWING CHANGES WILL BE EFFECTIVE **JANUARY 1, 2009:**

**I. UNDER 65 RETIREES – for current and future retirees, except as noted below**

- A. HMO Plan Changes – same as actives. See attached Exhibit I.
- B. Continue the current Preferred Provider Organization (PPO) Under Age 65 plan except for changes outlined in Exhibit IV.
- C. Continue the current service based schedule. Increase the annual contribution cap from \$4,900/\$9,800 to \$5,500/\$11,000 for employees retiring on or after the effective date of the agreement.

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

- A. Continue the current Medicare Eligible Retiree Medical Plan (MERMP) except for changes outlined in Exhibit V.
- B. 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 future employees retiring on or after the effective date of the agreement, the contribution formula will be as follows:

	Single Coverage	Family Coverage *
Monthly Contributions for Medicare Eligible Retirees (MERMP and Senior HMOs)	\$20 + 100% of the amount over the maximum monthly Company subsidy	\$40 + 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. Employees retiring after the effective date of the agreement must have 10 years of service to qualify for over age 65 retiree medical.

### **III. OTHER GENERAL PROVISIONS**

- A. Retirees will conform to the same enrollment time frames required for active employees.