

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), 6057(b), and 6058(a) of the Internal Revenue Code (the Code). <p style="text-align: center;">▶ Complete all entries in accordance with the instructions to the Form 5500.</p>	OMB Nos. 1210-0110 1210-0089 2014 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2014 or fiscal plan year beginning <u>01/01/2014</u> and ending <u>12/31/2014</u>	
A This return/report is for:	☐ a multiemployer plan; ☐ a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions); or ☒ a single-employer plan; ☐ a DFE (specify) _____
B This return/report is:	☐ the first return/report; ☐ the final return/report; ☐ an amended return/report; ☐ a short plan year return/report (less than 12 months).
C If the plan is a collectively-bargained plan, check here.	☐
D Check box if filing under:	☒ Form 5558; ☐ automatic extension; ☐ the DFVC program; ☐ special extension (enter description)

Part II	Basic Plan Information —enter all requested information				
1a Name of plan LOCKHEED MARTIN CORPORATION SALARIED EMPLOYEE RETIREMENT PROGRAM	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1b Three-digit plan number (PN) ▶</td> <td style="width: 20%; text-align: center;">001</td> </tr> <tr> <td colspan="2">1c Effective date of plan 12/31/1942</td> </tr> </table>	1b Three-digit plan number (PN) ▶	001	1c Effective date of plan 12/31/1942	
1b Three-digit plan number (PN) ▶	001				
1c Effective date of plan 12/31/1942					
2a Plan sponsor's name and address; include room or suite number (employer, if for a single-employer plan) LOCKHEED MARTIN CORPORATION 6801 ROCKLEDGE DRIVE, CCT-115 BETHESDA, MD 20817	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>2b Employer Identification Number (EIN) 52-1893632</td> </tr> <tr> <td>2c Plan Sponsor's telephone number 301-548-2384</td> </tr> <tr> <td>2d Business code (see instructions) 339900</td> </tr> </table>	2b Employer Identification Number (EIN) 52-1893632	2c Plan Sponsor's telephone number 301-548-2384	2d Business code (see instructions) 339900	
2b Employer Identification Number (EIN) 52-1893632					
2c Plan Sponsor's telephone number 301-548-2384					
2d Business code (see instructions) 339900					

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/14/2015	DONALD REMSCH
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE	Filed with authorized/valid electronic signature.	10/14/2015	DONALD REMSCH
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE
Preparer's name (including firm name, if applicable) and address (include room or suite number) (optional)			Preparer's telephone number (optional)

3a Plan administrator's name and address ☒ Same as Plan Sponsor		3b Administrator's EIN	
4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report:		3c Administrator's telephone number	
a Sponsor's name		4b EIN	
5 Total number of participants at the beginning of the plan year		4c PN	
6 Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines 6a(1) , 6a(2) , 6b , 6c , and 6d).		5 204999	
a(1) Total number of active participants at the beginning of the plan year		6a(1) 46589	
a(2) Total number of active participants at the end of the plan year		6a(2) 43304	
b Retired or separated participants receiving benefits		6b 88689	
c Other retired or separated participants entitled to future benefits.....		6c 47405	
d Subtotal. Add lines 6a(2) , 6b , and 6c		6d 179398	
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.		6e 15674	
f Total. Add lines 6d and 6e		6f 195072	
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)		6g	
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....		6h 9	
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item).....		7	
8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions: 1A 1E 3F 3H			
b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:			
9a Plan funding arrangement (check all that apply)		9b Plan benefit arrangement (check all that apply)	
(1) ☐ Insurance		(1) ☐ Insurance	
(2) ☐ Code section 412(e)(3) insurance contracts		(2) ☐ Code section 412(e)(3) insurance contracts	
(3) ☒ Trust		(3) ☒ Trust	
(4) ☐ General assets of the sponsor		(4) ☐ General assets of the sponsor	
10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)			
a Pension Schedules		b General Schedules	
(1) ☒ R (Retirement Plan Information)		(1) ☒ H (Financial Information)	
(2) ☐ MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary		(2) ☐ I (Financial Information – Small Plan)	
(3) ☒ SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary		(3) ☐ A (Insurance Information)	
		(4) ☐ C (Service Provider Information)	
		(5) ☒ D (DFE/Participating Plan Information)	
		(6) ☐ G (Financial Transaction Schedules)	

Part III**Form M-1 Compliance Information (to be completed by welfare benefit plans)**

11a If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

11b Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

11c Enter the Receipt Confirmation Code for the 2014 Form M-1 annual report. If the plan was not required to file the 2014 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code _____

SCHEDULE SB (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Single-Employer Defined Benefit Plan Actuarial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500 or 5500-SF.	OMB No. 1210-0110 2014 This Form is Open to Public Inspection
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For calendar plan year 2014 or fiscal plan year beginning 01/01/2014 and ending 12/31/2014

▶ **Round off amounts to nearest dollar.**

▶ **Caution:** A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan LOCKHEED MARTIN CORPORATION SALARIED EMPLOYEE RETIREMENT PROGRAM	B Three-digit plan number (PN) ▶ 001
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF LOCKHEED MARTIN CORPORATION	D Employer Identification Number (EIN) 52-1893632
E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B	F Prior year plan size: ☐ 100 or fewer ☐ 101-500 ☒ More than 500

Part I	Basic Information
1 Enter the valuation date: Month 01 Day 01 Year 2014	
2 Assets:	
a Market value	2a 27630603254
b Actuarial value	2b 27719058254
3 Funding target/participant count breakdown	
a For retired participants and beneficiaries receiving payment.....	(1) Number of participants 103386 (2) Vested Funding Target 14507208875 (3) Total Funding Target 14507208875
b For terminated vested participants.....	55024 2218869298 2218869298
c For active participants.....	46589 8284393506 9097386127
d Total.....	204999 25010471679 25823464300
4 If the plan is in at-risk status, check the box and complete lines (a) and (b)..... ☐	
a Funding target disregarding prescribed at-risk assumptions	4a
b Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been in at-risk status for fewer than five consecutive years and disregarding loading factor.....	4b
5 Effective interest rate	5 6.47%
6 Target normal cost	6 694484848

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

SIGN HERE		09/18/2015
Signature of actuary		Date
JEFFREY K. MARTIN, F.S.A., E.A.		14-04379
Type or print name of actuary		Most recent enrollment number
PRIAC		860-534-2435
Firm name		Telephone number (including area code)
280 TRUMBULL STREET HARTFORD, CT 06103-2975		
Address of the firm		

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500 or 5500-SF.

Schedule SB (Form 5500) 2014
v. 140124

Part II Beginning of Year Carryover and Prefunding Balances		
	(a) Carryover balance	(b) Prefunding balance
7 Balance at beginning of prior year after applicable adjustments (line 13 from prior year)	0	3481067760
8 Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	0	706116131
9 Amount remaining (line 7 minus line 8)	0	2774951629
10 Interest on line 9 using prior year's actual return of <u>6.34</u> %	0	175931933
11 Prior year's excess contributions to be added to prefunding balance:		
a Present value of excess contributions (line 38a from prior year)		927409257
b(1) Interest on the excess, if any, of line 38a over line 38b from prior year Schedule SB, using prior year's effective interest rate of <u>6.66</u> %		14738122
b(2) Interest on line 38b from prior year Schedule SB, using prior year's actual return		44767763
c Total available at beginning of current plan year to add to prefunding balance		986915142
d Portion of (c) to be added to prefunding balance		986915142
12 Other reductions in balances due to elections or deemed elections	0	0
13 Balance at beginning of current year (line 9 + line 10 + line 11d – line 12)	0	3937798704

Part III Funding Percentages		
14 Funding target attainment percentage	14	92.09 %
15 Adjusted funding target attainment percentage	15	107.34 %
16 Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement	16	93.45 %
17 If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage	17	%

Part IV Contributions and Liquidity Shortfalls					
18 Contributions made to the plan for the plan year by employer(s) and employees:					
(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
11/28/2014	600000000				
12/19/2014	150000000				
12/31/2014	200000000				
			Totals ▶	18(b)	950000000
				18(c)	0

19 Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:		
a Contributions allocated toward unpaid minimum required contributions from prior years	19a	0
b Contributions made to avoid restrictions adjusted to valuation date	19b	0
c Contributions allocated toward minimum required contribution for current year adjusted to valuation date	19c	895221993
20 Quarterly contributions and liquidity shortfalls:		
a Did the plan have a "funding shortfall" for the prior year? ☒ Yes ☐ No		
b If line 20a is "Yes," were required quarterly installments for the current year made in a timely manner? ☒ Yes ☐ No		
c If line 20a is "Yes," see instructions and complete the following table as applicable:		
Liquidity shortfall as of end of quarter of this plan year		
(1) 1st	(2) 2nd	(3) 3rd
0	0	0
		(4) 4th
		0

Part V Assumptions Used to Determine Funding Target and Target Normal Cost

21 Discount rate:				
a Segment rates:	1st segment: 4.99 %	2nd segment: 6.32 %	3rd segment: 6.99 %	☐ N/A, full yield curve used
b Applicable month (enter code).....				21b 4
22 Weighted average retirement age				22 63
23 Mortality table(s) (see instructions) ☐ Prescribed - combined ☒ Prescribed - separate ☐ Substitute				

Part VI Miscellaneous Items

24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment.	☒ Yes ☐ No
25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment.	☐ Yes ☒ No
26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment.	☒ Yes ☐ No
27 If the plan is subject to alternative funding rules, enter applicable code and see instructions regarding attachment.....	27

Part VII Reconciliation of Unpaid Minimum Required Contributions For Prior Years

28 Unpaid minimum required contributions for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (line 19a).....	29	0
30 Remaining amount of unpaid minimum required contributions (line 28 minus line 29)	30	0

Part VIII Minimum Required Contribution For Current Year

31 Target normal cost and excess assets (see instructions):			
a Target normal cost (line 6).....	31a	694484848	
b Excess assets, if applicable, but not greater than line 31a	31b	0	
32 Amortization installments:	Outstanding Balance		Installment
a Net shortfall amortization installment.....	2042204750		534486028
b Waiver amortization installment	0		0
33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount	33		
34 Total funding requirement before reflecting carryover/prefunding balances (lines 31a - 31b + 32a + 32b - 33)...	34	1228970876	
	Carryover balance	Prefunding balance	Total balance
35 Balances elected for use to offset funding requirement.....	0	789635999	789635999
36 Additional cash requirement (line 34 minus line 35).....	36	439334877	
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c).....	37	895221993	
38 Present value of excess contributions for current year (see instructions)			
a Total (excess, if any, of line 37 over line 36)	38a	455887116	
b Portion included in line 38a attributable to use of prefunding and funding standard carryover balances	38b	455887116	
39 Unpaid minimum required contribution for current year (excess, if any, of line 36 over line 37)	39	0	
40 Unpaid minimum required contributions for all years	40	0	

Part IX Pension Funding Relief Under Pension Relief Act of 2010 (See Instructions)

41 If an election was made to use PRA 2010 funding relief for this plan:			
a Schedule elected	☐ 2 plus 7 years ☐ 15 years		
b Eligible plan year(s) for which the election in line 41a was made	☐ 2008 ☐ 2009 ☐ 2010 ☐ 2011		
42 Amount of acceleration adjustment	42		
43 Excess installment acceleration amount to be carried over to future plan years	43		

a Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
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103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)

Part II Information on Participating Plans (to be completed by DFEs)

(Complete as many entries as needed to report all participating plans)

a Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
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plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110
		2014
		This Form is Open to Public Inspection

For calendar plan year 2014 or fiscal plan year beginning <u>01/01/2014</u> and ending <u>12/31/2014</u>	
A Name of plan <u>LOCKHEED MARTIN CORPORATION SALARIED EMPLOYEE RETIREMENT PROGRAM</u>	B Three-digit plan number (PN) <u>001</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>LOCKHEED MARTIN CORPORATION</u>	D Employer Identification Number (EIN) <u>52-1893632</u>

Part I Asset and Liability Statement			
1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.			
Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions.....	1b(1)	<u>854000000</u>	<u>0</u>
(2) Participant contributions.....	1b(2)		
(3) Other.....	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit).....	1c(1)		
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common.....	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property).....	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans.....	1c(8)		
(9) Value of interest in common/collective trusts	1c(9)		
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)	<u>27594320205</u>	<u>29190479162</u>
(12) Value of interest in 103-12 investment entities.....	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)		
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other.....	1c(15)		

1d Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)		
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	28448320205	29190479162

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h	15940319	23611566
i Acquisition indebtedness	1i		
j Other liabilities	1j		
k Total liabilities (add all amounts in lines 1g through 1j)	1k	15940319	23611566

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	28432379886	29166867596
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Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income**a Contributions:**

		(a) Amount	(b) Total
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	950000000	
(B) Participants	2a(1)(B)		
(C) Others (including rollovers)	2a(1)(C)	35000002	
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		985000002

b Earnings on investments:**(1) Interest:**

(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)		
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)		
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		0

(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)		
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		0

(3) Rents	2b(3)		
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(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		0

(5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)		
(B) Other	2b(5)(B)		
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		0

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts.....	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts.....	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts.....	2b(8)		1711801330
(9) Net investment gain (loss) from 103-12 investment entities.....	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		
c Other income.....	2c		
d Total income. Add all income amounts in column (b) and enter total.....	2d		2696801332

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers.....	2e(1)	1938525701	
(2) To insurance carriers for the provision of benefits.....	2e(2)		
(3) Other.....	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3).....	2e(4)		1938525701
f Corrective distributions (see instructions).....	2f		
g Certain deemed distributions of participant loans (see instructions).....	2g		
h Interest expense.....	2h		
i Administrative expenses: (1) Professional fees.....	2i(1)	374078	
(2) Contract administrator fees.....	2i(2)	3208359	
(3) Investment advisory and management fees.....	2i(3)	20029129	
(4) Other.....	2i(4)		
(5) Total administrative expenses. Add lines 2i(1) through (4).....	2i(5)		23611566
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		1962137267

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d.....	2k		734664065
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan.....	2l(2)		176355

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☐ Unqualified (2) ☐ Qualified (3) ☒ Disclaimer (4) ☐ Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)?

☒ Yes ☐ No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: MITCHELL & TITUS, LLP

(2) EIN: 13-2781641

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....

b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.).....

	Yes	No	Amount
4a		X	
4b		X	

	Yes	No	Amount
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.).....		X	
e Was this plan covered by a fidelity bond?	X		100000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?.....		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?.....		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)		X	
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.)		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?		X	
l Has the plan failed to provide any benefit when due under the plan?.....		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)			
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?
 If "Yes," enter the amount of any plan assets that reverted to the employer this year..... ☐ Yes ☒ No Amount:

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)
SANDIA CORPORATION RETIREMENT INCOME PLAN	85-0097942	006

5c If the plan is a defined benefit plan, is it covered under the PBGC insurance program (see ERISA section 4021)? ☒ Yes ☐ No ☐ Not determined

Part V Trust Information (optional)

6a Name of trust	6b Trust's EIN

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110 2014 This Form is Open to Public Inspection.
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For calendar plan year 2014 or fiscal plan year beginning 01/01/2014 and ending 12/31/2014

A Name of plan <u>LOCKHEED MARTIN CORPORATION SALARIED EMPLOYEE RETIREMENT PROGRAM</u>	B Three-digit plan number (PN) ▶ <u>001</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>LOCKHEED MARTIN CORPORATION</u>	D Employer Identification Number (EIN) <u>52-1893632</u>

Part I	Distributions
---------------	----------------------

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....	1	<u>0</u>
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): <u>22-3810641</u>		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....	3	<u>9321</u>

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part)
----------------	--

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?.....	☐ Yes	☒ No	☐ N/A
If the plan is a defined benefit plan, go to line 8.			
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.			
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived).....	6a		
b Enter the amount contributed by the employer to the plan for this plan year.....	6b		
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount)	6c		
If you completed line 6c, skip lines 8 and 9.			
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?.....	☐ Yes	☐ No	☐ N/A
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?.....	☐ Yes	☐ No	☒ N/A

Part III	Amendments
-----------------	-------------------

9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box.....	☐ Increase	☐ Decrease	☒ Both	☐ No
--	-----------------------------------	-----------------------------------	--	-----------------------------

Part IV	ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
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10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?	☐ Yes	☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☐ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.).....	☐ Yes	☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes	☐ No

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

- 14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

a The current year	14a	
b The plan year immediately preceding the current plan year	14b	
c The second preceding plan year	14c	

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year	15a	
b The corresponding number for the second preceding plan year	15b	

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year	16a	
b If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	16b	

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

- 19** If the total number of participants is 1,000 or more, complete lines (a) through (c)

- a** Enter the percentage of plan assets held as:

Stock: 49% Investment-Grade Debt: 28% High-Yield Debt: 3% Real Estate: 0% Other: 20%

- b** Provide the average duration of the combined investment-grade and high-yield debt:

☐ 0-3 years ☐ 3-6 years ☒ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

- c** What duration measure was used to calculate line 19(b)?

☒ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify):

LOCKHEED MARTIN CORPORATION SALARIED EMPLOYEE
RETIREMENT PROGRAM

Financial Statements as of December 31, 2014 and 2013,
and for the Year Ended December 31, 2014, with Report of Independent Auditors

Lockheed Martin Corporation Salaried Employee Retirement Program

Financial Statements

Year Ended December 31, 2014

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REPORT OF INDEPENDENT AUDITORS

Plan Administrator
Lockheed Martin Corporation Salaried Employee
Retirement Program

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Lockheed Martin Corporation Salaried Employee Retirement Program, which comprise the statements of net assets available for benefits as of December 31, 2014 and 2013, and the related statement of changes in net assets available for benefits for the year ended December 31, 2014, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audits in accordance with auditing standards generally accepted in the United States. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the certified investment information described in Note 4, except for comparing such information with the related information included in the financial statements. We have been informed by the plan administrator that the entity that certified the investment information meets the requirements of 29 CFR 2520.103-8. The plan administrator has obtained certifications as of December 31, 2014 and 2013, and for the year ended December 31, 2014, stating that the investment information provided to the plan administrator is complete and accurate.

Disclaimer of Opinion on Financial Statements

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Report on Compliance of Form and Content with Department of Labor's Rules and Regulations

The form and content of the information included in the financial statements, other than that derived from the certified investment information, have been audited by us in accordance with auditing standards generally accepted in the United States and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Mitchell & Titus, LLP

October 7, 2015

Lockheed Martin Corporation Salaried Employee Retirement Program
Statements of Net Assets Available for Benefits
(in thousands)

	December 31,	
	2014	2013
Assets		
Investments:		
Interest in Master Trust	\$ 28,391,367	\$ 26,876,371
Net assets held in Master Trust related to 401(h) account	799,113	717,950
Employer contributions receivable	—	854,000
Total assets.....	<u>29,190,480</u>	<u>28,448,321</u>
Liabilities		
Amounts related to obligation of 401(h) account.....	799,113	717,950
Accrued expenses.....	<u>23,612</u>	<u>15,940</u>
Total liabilities	<u>822,725</u>	<u>733,890</u>
Net assets available for benefits.....	<u>\$ 28,367,755</u>	<u>\$ 27,714,431</u>

The accompanying notes are an integral part of these financial statements.

Lockheed Martin Corporation Salaried Employee Retirement Program
Statement of Changes in Net Assets Available for Benefits
(in thousands)

	Year Ended December 31, 2014
Net assets available for benefits at beginning of year	\$ 27,714,431
Additions to net assets:	
Interest in net investment gain of Master Trust	1,848,572
Employer contributions	950,000
Total additions	2,798,572
Deductions from net assets:	
Benefit payments	1,938,410
Administrative expenses	206,662
Total deductions	2,145,072
Change in net assets	653,500
Transfers to other plan	(176)
Net assets available for benefits at end of year	\$ 28,367,755

The accompanying notes are an integral part of these financial statements.

Lockheed Martin Corporation Salaried Employee Retirement Program Notes to Financial Statements

1. Description of the Plan

The following description of the Lockheed Martin Corporation Salaried Employee Retirement Program (the Plan) provides only general information about the Plan's provisions. Participants should refer to the Plan document and Summary Plan Description for a more complete description of the Plan's provisions.

General

The Plan is a defined benefit plan covering certain salaried employees of Lockheed Martin Corporation (Lockheed Martin or the Corporation), and has been amended from time to time. The Corporation is the Plan Sponsor and the Plan Administrator. Active participants become fully vested in the Plan upon the earlier of the completion of five years of service or attainment of age 65. Employees of the Corporation that began employment on or after January 1, 2006 are not eligible to participate in the Plan. In June 2014, the Corporation amended the Plan to freeze future retirement benefits. The freeze will take effect in two stages. Beginning on January 1, 2016, the pay-based component of the formula used to determine retirement benefits will be frozen so that future pay increases, annual incentive bonuses, or other amounts earned for or related to periods after December 31, 2015 will not be used to calculate retirement benefits. On January 1, 2020, the service-based component of the formula used to determine retirement benefits will also be frozen so that participants will no longer earn further credited service for any period after December 31, 2019. Also in 2014, the Plan was amended to allow certain former employees who had not commenced receiving benefit payments to elect to receive their vested benefits in a one-time lump-sum payment.

The assets of the Plan, excluding the "Employer contributions receivable," are held and invested on a commingled basis in the Lockheed Martin Corporation Master Retirement Trust (the Master Trust). The assets of the Master Trust are held by The Northern Trust Company (the Trustee), with the exception of certain assets that are not held under custody by the Trustee as described in Note 4.

Funding Policy

Funding for the Plan is determined in accordance with the Employee Retirement Income Security Act of 1974 (ERISA), as amended by the Pension Protection Act of 2006 (PPA) and consistent with U.S. Government Cost Accounting Standards (CAS). Contributions by the Corporation, if any, meet the ERISA minimum funding requirements. Certain employees were previously allowed to contribute to the Plan, which became noncontributory in 1998. Accumulated employee contributions for active employees who were Plan participants at December 31, 2014 and 2013, including interest at rates provided under the Plan and Section 411(c) of the Internal Revenue Code (IRC), were \$66,153,000 and \$77,225,000, respectively. Interest rates used ranged from 2.10% to 2.33% in 2014 and 1.04% to 2.62% in 2013.

The Corporation has the right under the Plan to discontinue such contributions at any time and/or terminate the Plan. In the event of termination, the Plan's net assets are to be used first for the payment of benefits attributable to active and non-active participant contributions, then for payment of retirement benefits that former employees or their beneficiaries have been receiving, next for the payment of other vested benefits, and finally for the payment of nonvested benefits for the remaining participants. If the net assets are not sufficient to pay all benefits, the net assets shall be paid to the most senior categories until a category cannot be paid in full, and remaining net assets shall be allocated pro rata to all the benefits in that category and not those of lower priority. However, in the event of termination of the Plan, the Pension Benefit Guaranty Corporation (PBGC) guarantees the payment of nonforfeitable retirement benefits subject to certain limitations prescribed by ERISA.

Lockheed Martin Corporation Salaried Employee Retirement Program
Notes to Financial Statements (continued)

401(h) Account

The Plan maintains a separate account (the 401(h) account) for the payment of medical expenses to eligible retired participants, and their spouses and dependents, in accordance with Section 401(h) of the IRC. The assets of the 401(h) account are held in the Master Trust and are not available to pay pension benefits. The related obligations for health benefits are not included in the Plan's accumulated plan benefits in Note 3 but are reflected as obligations in the postretirement benefit obligation in the financial statements of the Lockheed Martin Corporation Group Insurance Plan for Retired Employees. Plan participants do not contribute to the 401(h) account. The Corporation makes actuarially determined contributions to the 401(h) account for the payment of (i) medical care expenses as defined in the IRC, which are subject to reimbursement or payment or (ii) premiums to purchase insurance under the Lockheed Martin Corporation Group Insurance Plan for Retired Employees. The Corporation's funding policy is to make contributions to the 401(h) account that are consistent with CAS and the Internal Revenue Service (IRS) deductibility requirements, which are defined by Section 401(h) of the IRC.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting.

Accumulated Plan Benefits

Accumulated plan benefits are those estimated future periodic payments that are attributable under the Plan's provisions for credited service by participants from their date of eligibility to the valuation date. Accumulated plan benefits include benefits expected to be paid to (a) retired, terminated and disabled participants or their beneficiaries, and (b) present participants or their beneficiaries. Benefits for retired, terminated and disabled participants or their beneficiaries are based on each former participant's compensation during each year of credited service prior to his or her termination or retirement date. Accumulated plan benefits for active participants are based on each participant's compensation during each year of credited service preceding the valuation date. Benefits payable under all circumstances—retirement, death, disability and termination of employment—are included to the extent they are deemed attributable to employee service prior to the valuation date.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein, disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits. Actual results could differ from those estimates.

Payment of Benefits

Benefit payments to participants are recorded upon distribution.

Risks and Uncertainties

The Plan, through the Master Trust, invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, currency, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statements of Net Assets Available for Benefits.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject

Lockheed Martin Corporation Salaried Employee Retirement Program
Notes to Financial Statements (continued)

to change. Due to uncertainties inherent in the estimation and assumption processes, it is at least reasonably possible that changes in these estimates and assumptions in the near term could materially affect the amounts reported and disclosed in the financial statements.

Investment Valuation and Income Recognition

Investments in the Master Trust are reported at fair value. Fair value is the price that would have been received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements.

Purchases and sales of securities in the Master Trust are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Gains and losses on investments bought and sold as well as held during the year are included in interest in net investment gain of Master Trust on the Statement of Changes in Net Assets Available for Benefits.

Administrative Expenses

Direct administrative expenses are paid by the Master Trust and generally allocated to the Plan proportionally based on the Plan's interest in the Master Trust's net assets or directly if specifically related to the Plan. Other indirect administrative expenses are paid by the Corporation. Certain indirect administrative expenses are paid by the Corporation and are excluded from these financial statements. Expenses paid by the Plan are shown on the Statement of Changes in Net Assets Available for Benefits.

Recent Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board (FASB) issued new guidance that eliminates the current requirement to categorize within the fair value hierarchy investments with fair values measured at net asset value (NAV) using the practical expedient in Accounting Standards Codification (ASC) 820 "Fair Value Measurement". The new guidance will require entities to disclose the fair values of such investments as a reconciling item between the balance sheet amounts and the amounts reported in the fair value hierarchy table. Entities will be required to continue to disclose information describing the nature and risks of the investments measured using the NAV practical expedient. The new disclosures are required for the Plan beginning on January 1, 2017. Early adoption is permitted. The new guidance only impacts footnote disclosures and will not impact the financial statements.

Subsequent Events

The Plan has evaluated subsequent events through October 7, 2015, the date the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2014 that required recognition or disclosure in these financial statements.

3. Actuarial Present Value of Accumulated Plan Benefits

The actuarial present value of accumulated plan benefits is the amount that results from applying actuarial assumptions to the accumulated plan benefits earned by the participants to reflect the time value of money and the probability of payment between the valuation date and the expected date of payment.

The actuarial present value of accumulated plan benefits is as follows (in thousands):

	December 31,	
	2014	2013
Vested benefits:		
Participants currently receiving payments	\$ 17,937,028	\$ 14,566,989

Lockheed Martin Corporation Salaried Employee Retirement Program
Notes to Financial Statements (continued)

Participants not currently receiving payments	18,471,638	15,328,574
Total vested benefits	36,408,666	29,895,563
Nonvested benefits	1,308,330	1,183,071
Total actuarial present value of accumulated plan benefits	\$ 37,716,996	\$ 31,078,634

The significant actuarial assumptions used in the valuations were (a) life expectancy of participants (RP-2014 Total Dataset with Scale MP-2014 for 2014 and Prescribed IRS Static Mortality Table – Separate for 2013), (b) turnover based upon the termination experience of the Plan, (c) assumed retirement age probabilities based on the experience of the Plan resulting in an average retirement age of 63, and (d) an annual discount rate of 4.00% and 4.75% for 2014 and 2013, respectively. The discount rate assumption used to calculate the actuarial present value of accumulated plan benefits is adjusted annually to reflect current yields on long-term high-quality corporate bonds. This can result in significant year to year fluctuations in the valuations.

Changes in the actuarial present value of accumulated plan benefits are as follows (in thousands):

	Year Ended December 31, 2014
Actuarial present value of accumulated plan benefits at beginning of year	\$ 31,078,634
Increase (decrease) during the year attributable to:	
Increase for interest due to the decrease in the discount period	1,468,052
Benefits paid	(1,938,410)
Benefits accumulated	1,128,175
Changes in actuarial assumptions	5,980,545
Net increase	6,638,362
Actuarial present value of accumulated plan benefits at end of year	\$ 37,716,996

The benefits paid in the preceding table include \$317,706,000 in one-time lump-sum payments (Note 1). The changes in actuarial assumptions reflect the decrease in the discount rate and change in mortality and termination assumptions, that resulted in an increase to the actuarial present value of accumulated plan benefits of \$3,498,025,000 and \$2,482,520,000, respectively.

The actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

4. Master Trust

General

The Plan's investments are held by the Master Trust, which was established for the investment of the Plan's assets and the assets of several other defined benefit plans sponsored by the Corporation. The assets, realized and unrealized gains and losses, and investment income of the Master Trust are allocated among the participating plans included therein proportionally based on each plan's interest in the Master Trust's net assets. The Plan's interest in the Master Trust's net assets as of December 31, 2014 and 2013 was approximately 81.75% and 81.20%, respectively.

The Master Trust owes direct reimbursements to the Corporation for certain expenses incurred by the Corporation and its subsidiaries in providing services to the Plan.

Lockheed Martin Corporation Salaried Employee Retirement Program
Notes to Financial Statements (continued)

Other than the financial information in the following table, the reported total fair value by asset class as disclosed in the fair value of assets tables including investments held as of December 31, 2014 and 2013, and net appreciation (depreciation) in fair value of investments, interest income, and dividend income for the year ended December 31, 2014, was obtained or derived from information certified as complete and accurate by The Northern Trust Company, the Trustee of the Master Trust. The following financial information was not certified by the Trustee, as the net assets are not held in custody by the Trustee (in thousands):

	December 31,	
	2014	2013
Assets		
Cash and cash equivalents	\$ 1,618,766	\$ 1,295,517
Equity:		
U.S. equity securities	660,513	405,785
International equity securities	168,512	150,774
Commingled equity funds	100,840	89,296
Fixed income:		
Corporate debt securities	741,184	662,133
U.S. Government securities	61,011	64,236
Other fixed income securities	396,938	169,655
Alternative investments:		
Hedge funds	66,469	46,087
Commodities	1,074	(10)
Total assets	3,815,307	2,883,473
Liabilities		
Payables, net	175,045	123,642
Total net assets	\$ 3,640,262	\$ 2,759,831

	Year Ended December 31, 2014
Investment income not certified by the custodian	
Interest and dividend income	\$ 103,955
Net appreciation in fair value of investments	241,185

Fair Value of Assets

The accounting standard for fair value measurements defines fair value, establishes a market-based framework or hierarchy for measuring fair value, and requires disclosures regarding fair value measurements. The standard is applicable whenever assets and liabilities are measured and included in the financial statements at fair value.

The fair value hierarchy established in the standard prioritizes the inputs used in valuation techniques into three levels as follows:

- Level 1 – Quoted prices in active markets for identical assets and liabilities;
- Level 2 – Observable inputs, other than Level 1 prices, such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, and amounts derived from valuation models where all significant inputs are observable in active markets; and
- Level 3 – Unobservable inputs where valuation models are supported by little or no market activity that one or more significant inputs are unobservable and require us to develop relevant assumptions.

Lockheed Martin Corporation Salaried Employee Retirement Program
Notes to Financial Statements (continued)

The following table presents the fair value of the assets in the Master Trust by asset category and their level within the fair value hierarchy as of December 31, 2014 and their appreciation (depreciation) for the year ended December 31, 2014 (in thousands):

	Level 1	Level 2	Level 3	Total	Appreciation (Depreciation)
Cash and cash equivalents.....	\$ 2,548,614	\$ —	\$ —	\$ 2,548,614	\$ 18,163
Equity:					
U.S. equity securities.....	6,200,339	67,425	164	6,267,928	512,548
International equity securities	5,370,359	30,665	10,261	5,411,285	(311,582)
Commingled equity funds	1,947,257	4,044,645	—	5,991,902	246,119
Fixed income:					
Corporate debt securities	—	4,111,804	45,684	4,157,488	230,500
U.S. Government securities.....	—	4,575,221	—	4,575,221	585,046
U.S. Government-sponsored enterprise securities.....	—	617,920	—	617,920	32,570
Other fixed income securities.....	39,585	1,574,254	8,371	1,622,210	34,730
Alternative investments:					
Private equity funds.....	—	—	2,971,147	2,971,147	199,089
Real estate funds	—	33,929	725,820	759,749	66,927
Hedge funds	—	66,469	499,155	565,624	127,847
Commodities	1,726	359	—	2,085	(238,548)
Total Investment Assets at Fair Value	\$ 16,107,880	\$ 15,122,691	\$ 4,260,602	\$ 35,491,173	\$ 1,503,409
Receivables, net				36,782	
Total net assets				\$ 35,527,955	

Interest and dividend income earned by the Master Trust for the year ended December 31, 2014 was \$264,519,000 and \$163,583,000, respectively. Other income for the year ended December 31, 2014 was \$311,664,000.

The following table presents the fair value of the assets in the Master Trust by asset category and their level within the fair value hierarchy as of December 31, 2013 (in thousands):

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 1,769,454	\$ —	\$ —	\$ 1,769,454
Equity:				
U.S. equity securities	5,105,727	97,141	110	5,202,978
International equity securities	4,816,834	12,399	6,851	4,836,084
Commingled equity funds.....	1,146,088	4,831,162	—	5,977,250
Fixed income:				
Corporate debt securities	—	2,941,901	51,239	2,993,140
U.S. Government securities	—	6,161,749	—	6,161,749
U.S. Government-sponsored enterprise securities	—	1,495,025	87	1,495,112
Other fixed income securities	—	1,303,514	91,190	1,394,704
Alternative investments:				
Private equity funds	—	—	2,629,382	2,629,382
Real estate funds	—	29,945	573,061	603,006

Lockheed Martin Corporation Salaried Employee Retirement Program
Notes to Financial Statements (continued)

Hedge funds	—	46,087	518,569	564,656
Commodities	156,787	—	—	156,787
Total Investment Assets at Fair Value	<u>\$ 12,994,890</u>	<u>\$ 16,918,923</u>	<u>\$ 3,870,489</u>	<u>\$ 33,784,302</u>

Receivables, net	31,478
Total net assets	<u><u>\$ 33,815,780</u></u>

The following table presents the changes in the fair value of Master Trust's Level 3 assets for the year ended December 31, 2014 (in thousands):

	Balance, beginning of year	Realized gains	Unrealized gains/ (losses)	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Balance, end of year
Equity:									
U.S. equity securities	\$ 110	\$ —	\$ (1,603)	\$ 167	\$ (2)	\$ 1,492	\$ —	\$ —	\$ 164
International equity securities	6,851	841	7,476	586	(4,961)	(76)	260	(716)	10,261
Fixed income:									
Corporate debt securities	51,239	1,271	(7,582)	51,466	(40,114)	(11,085)	1,303	(814)	45,684
U.S. Government-sponsored enterprise securities	87	(14)	15	—	(46)	97	—	(139)	—
Other fixed income securities	91,190	(594)	(284)	2,893	(10,359)	(74,051)	—	(424)	8,371
Alternative investments:									
Private equity funds	2,629,382	181,508	13,084	676,984	(333,385)	(196,426)	—	—	2,971,147
Real estate funds	573,061	43,010	21,865	270,890	(139,483)	(43,523)	—	—	725,820
Hedge funds	518,569	35,223	(22,564)	190,707	(282,840)	60,060	—	—	499,155
Total	<u>\$ 3,870,489</u>	<u>\$ 261,245</u>	<u>\$ 10,407</u>	<u>\$ 1,193,693</u>	<u>\$ (811,190)</u>	<u>\$ (263,512)</u>	<u>\$ 1,563</u>	<u>\$ (2,093)</u>	<u>\$ 4,260,602</u>

International equity and corporate debt securities, in the amounts of \$260,000 and \$1,303,000 respectively, were reclassified as Level 3 securities in 2014. International equity, corporate debt securities, other fixed income and U.S. government sponsored entities in the amounts of \$716,000, \$814,000, \$424,000 and \$139,000 respectively, were reclassified from Level 3 to Level 2. These reclassifications resulted from changes in the inputs used to determine fair value. The Master Trust recognizes transfers between levels of the fair value hierarchy as of the date of the change in circumstances that causes the transfer.

Valuation Techniques

Cash equivalents are mostly comprised of short-term money-market instruments and are valued at cost, which approximates fair value.

Lockheed Martin Corporation Salaried Employee Retirement Program
Notes to Financial Statements (continued)

U.S. equity securities and international equity securities categorized as Level 1 are traded on active national and international exchanges and are valued at their closing prices on the last trading day of the year. For U.S. equity securities and international equity securities not traded on an active exchange, or if the closing price is not available, the Trustee obtains indicative quotes from a pricing vendor, broker, or investment manager. These securities are categorized as Level 2 if the custodian obtains corroborated quotes from a pricing vendor or categorized as Level 3 if the custodian obtains uncorroborated quotes from a broker or investment manager.

Commingled equity funds are investment vehicles valued using the Net Asset Value (NAV) provided by the fund managers. The NAV is the total value of the fund divided by the number of shares outstanding. Commingled equity funds are categorized as Level 1 if traded at their NAV on a nationally recognized securities exchange or categorized as Level 2 if the NAV is corroborated by observable market data (e.g., purchases or sales activity). Funds may be redeemed daily, monthly, or annually, depending upon notification requirements, liquidity, and other matters. Certain funds may require notification of management's intent to redeem at least one to 90 days in advance of exercising management's redemption right.

Corporate debt securities, U.S. Government securities, U.S. Government-sponsored enterprise securities, real estate funds, and other fixed income securities categorized as Level 2 are valued by the Trustee using pricing models that use verifiable observable market data (e.g., interest rates and yield curves observable at commonly quoted intervals and credit spreads), bids provided by brokers or dealers, or quoted prices of securities with similar characteristics. Corporate debt securities, U.S. Government-sponsored enterprise securities, and other fixed income securities are categorized at Level 3 when valuations using observable inputs are unavailable. The Trustee obtains pricing based on indicative quotes or bid evaluations from vendors, brokers or the investment manager.

Private equity funds, real estate funds, and hedge funds are valued using the NAV based on the valuation models of underlying securities which generally include significant unobservable inputs that cannot be corroborated using verifiable observable market data. Valuations for private equity funds and real estate funds are determined by the general partners. Depending on the nature of the assets, the general partners may use various valuation methodologies, including the income and market approaches in their models. The market approach consists of analyzing market transactions for comparable assets while the income approach uses earnings or the net present value of estimated future cash flows adjusted for liquidity and other risk factors. Hedge funds are valued by independent administrators using various pricing sources and models based on the nature of the securities. Private equity funds, real estate funds, and hedge funds are generally categorized as Level 3 as the Corporation cannot fully redeem the investment in the near-term.

Private equity funds consist of investments held primarily by limited partnerships in various strategies, including venture capital, corporate finance, opportunistic, and distressed. The term of each private equity fund is generally 10 years, and the fund's investors do not have the right to redeem their investment at its NAV. Instead, the investors receive distributions as the underlying assets of the fund are liquidated. Unfunded capital commitments related to the Master Trust's investment in private equity funds as of December 31, 2014 and 2013 totaled \$2,540,563,000 and \$2,178,127,000, respectively. Real estate funds consist of investments in U.S. and international commercial real estate held primarily by limited partnerships. The term of each real estate fund is generally 10 years, and the fund's investors do not have the right to redeem their investment at its NAV. Instead, the investors receive distributions as the underlying assets of the fund are liquidated. Hedge fund investments are made through fund-of-funds vehicles which invest in a diversified array of hedge funds across a multitude of strategies. Depending on the hedge fund, redemptions can be monthly or annually. The redemption notice period, depending on the hedge fund, is 45 to 180 days in advance.

Commodities categorized as Level 1 are traded on an active commodity exchange and are valued at their closing prices on the last trading day of the year. Commodities categorized as Level 2 represent over the counter derivative instruments using observable inputs other than quoted prices in active markets.

Lockheed Martin Corporation Salaried Employee Retirement Program
Notes to Financial Statements (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In estimating the fair value of the investments in Level 3, management may use third-party pricing sources or appraisers. In substantiating the reasonableness of the pricing data provided by third parties, management evaluates a variety of factors including review of methods and assumptions used by external sources, recently executed transactions, existing contracts, economic conditions, industry and market developments, and overall credit ratings.

Derivative Instruments

Derivative instruments are used in the Master Trust to achieve certain portfolio objectives and to adjust asset allocation in order to manage market risk. Derivative instruments allow internal and external investment managers to achieve these goals efficiently while maintaining appropriate liquidity.

At December 31, 2014 and 2013, the Master Trust utilized four types of derivative instruments:

Futures Contracts – The purchase of futures contracts allows the Master Trust to achieve desired portfolio positions in various commodities without the need to physically own and store them. Futures are used to manage the overall risk to equity and fixed income markets. Foreign exchange futures are used to separate the management of currency exposure from foreign equity exposure. Futures contracts are exchange-traded with initial margin required from both parties and daily settlement of gains and losses; therefore credit and counterparty risks are minimal, and futures contracts have no net market value.

Forward Contracts – Forward contracts are similar to futures contracts except that they are traded over-the-counter rather than over a standardized exchange. Foreign exchange forwards are used by investment managers as another means of separating currency risk from investment risk. These contracts allow a manager to lock into a rate at which to exchange an upcoming settlement in a foreign currency into U.S. dollars. Commodity forward contracts are used by investment managers to achieve desired portfolio positions in various commodities. While forward contracts are traded over-the-counter, they are generally very short-term which minimizes counterparty risk.

Options, including Options on Futures – These contracts allow the holder to buy or sell a security or a futures contract at a specified price prior to an expiration date. Options are primarily used to protect against downside risk in an equity, commodity or currency position held by the Master Trust.

Swaps – Swaps are over-the-counter agreements between counterparties to exchange the return stream of one security for another. Swaps are utilized either to provide exposure to a security for which there is no available futures contract, or to achieve an exposure over a specific time horizon.

A long derivative position increases (decreases) in value when the price of the underlying asset (e.g., currency, equity index) increases (decreases). A short derivative position increases (decreases) when the price of the underlying asset decreases (increases).

The notional amounts and fair values of derivative instruments as of December 31, 2014 and 2013 are presented below (in thousands):

	<u>December 31, 2014</u>		<u>December 31, 2013</u>	
	<u>Notional Amount</u>	<u>Amount included in Fair Value of Assets</u>	<u>Notional Amount</u>	<u>Amount included in Fair Value of Assets</u>
Equity Securities				
Futures Contracts (Long)	\$ 567,289	\$ —	\$ 449,388	\$ —
Futures Contracts (Short)	(111,729)	—	(45,022)	—

Lockheed Martin Corporation Salaried Employee Retirement Program
Notes to Financial Statements (continued)

	<u>December 31, 2014</u>		<u>December 31, 2013</u>	
	<u>Notional Amount</u>	<u>Amount included in Fair Value of Assets</u>	<u>Notional Amount</u>	<u>Amount included in Fair Value of Assets</u>
Equity Options (Long)	811,957	11,508	493,595	9,210
Equity Options (Short)	(664,790)	(7,027)	(361,208)	(3,200)
Forward Contracts	—	(17)	—	—
Swaps	3,757,626	16,579	803,797	5,419
Fixed Income Securities				
Futures Contracts (Long)	1,352,002	—	1,237,223	—
Futures Contracts (Short)	(1,213,994)	—	(2,766,283)	—
Fixed Income Options (Long)	1,273,758	9,597	355,589	3,442
Fixed Income Options (Short)	(1,760,358)	(14,451)	(568,238)	(7,051)
Swaps	814,083	20,629	2,481,183	3,446
Commodities				
Futures Contracts (Long)	1,703,583	—	2,324,722	—
Futures Contracts (Short)	(72,576)	—	(274,624)	—
Commodity Options (Long)	254,445	1,842	237,448	3,348
Commodity Options (Short)	(92,392)	(461)	(178,997)	(1,069)
Forward Contracts	8,194	(167)	(5,409)	(2,443)
Swaps	10,501	(148)	10,564	(629)
Foreign Exchange				
Futures Contracts (Long)	157,253	—	132,355	—
Futures Contracts (Short)	(188,991)	—	(107,378)	—
FX Options (Long)	(109,138)	4,170	411,042	1,802
FX Options (Short)	(2,258,129)	(3,860)	(431,546)	(933)
Forward Contracts	485,715	6,207	447,351	(556)
Swaps	(519,853)	2	—	(63)
Total	\$ 4,204,456	\$ 44,403	\$ 4,645,552	\$ 10,723

Offsetting and Netting of Assets and Liabilities

The Master Trust is subject to master netting agreements with certain counterparties. These agreements govern the terms of certain transactions and reduce the counterparty risk associated with the relevant transactions by permitting the Master Trust to net certain amounts due from the Plan to a counterparty against amounts due to the Plan from the same counterparty under certain conditions. As of December 31, 2014, information related to the potential effect of the Master Trust's master netting agreements was as follows (in thousands):

<u>Derivative Assets</u>	<u>Gross Recognized Assets</u>	<u>Gross Amounts Offset</u>	<u>Net Amounts Presented</u>	<u>Net Collateral Received</u>	<u>Net Exposure</u>
Exchange Cleared Interest Rate / Credit	\$ 16,260	\$ 11,960	\$ 4,300	\$ —	\$ 4,300
Exchange Traded Commodities	1,948	116	1,832	3	1,829
Exchange Traded Equities	11,361	4,118	7,243	941	6,302
Exchange Traded Foreign Exchange	136	—	136	—	136
Exchange Traded Interest Rate / Credit	1,356	1,017	339	64	275
OTC Commodities	112	2	110	42	68
OTC Equities	34,597	14,598	19,999	4,765	15,234
OTC Foreign Exchange	70,033	26,319	43,714	2,936	40,778
OTC Interest Rate / Credit	54,880	23,955	30,925	2,989	27,936

Lockheed Martin Corporation Salaried Employee Retirement Program
Notes to Financial Statements (continued)

Total Derivatives	\$ 190,683	\$ 82,085	\$ 108,598	\$ 11,740	\$ 96,858
Repurchase Agreements	161,555	19,505	142,050	35,475	106,575
Securities on Loan	579,057	—	579,057	579,057	—
Derivative Liabilities	Gross Recognized Liabilities	Gross Amounts Offset	Net Amounts Presented	Net Collateral Pledged	Net Exposure
Exchange Cleared Interest Rate / Credit	\$ 21,302	\$ 11,960	\$ 9,342	\$ 2,619	\$ 6,723
Exchange Traded Commodities	562	116	446	—	446
Exchange Traded Equities	7,023	4,118	2,905	—	2,905
Exchange Traded Foreign Exchange	—	—	—	—	—
Exchange Traded Interest Rate / Credit	1,048	1,017	31	—	31
OTC Commodities	427	2	425	61	364
OTC Equities	33,028	14,598	18,430	28	18,402
OTC Foreign Exchange	31,469	26,319	5,150	2,390	2,760
OTC Interest Rate / Credit	51,422	23,955	27,467	11,599	15,868
Total Derivatives	\$ 146,281	\$ 82,085	\$ 64,196	\$ 16,697	\$ 47,499
Repurchase Agreements	28,167	19,505	8,662	—	8,622
Securities on Loan	—	—	—	—	—

As of December 31, 2013, information related to the potential effect of the Master Trust's master netting agreements was as follows (in thousands):

Derivative Assets	Gross Recognized Assets	Gross Amounts Offset	Net Amounts Presented	Net Collateral Received	Net Exposure
Exchange Cleared Interest Rate / Credit	\$ 1,995	\$ 1,995	\$ —	\$ —	\$ —
Exchange Traded Commodities	2,717	819	1,898	—	1,898
Exchange Traded Equities	3,265	478	2,787	—	2,787
Exchange Traded Foreign Exchange	1	—	1	—	1
Exchange Traded Interest Rate / Credit	—	—	—	—	—
OTC Commodities	766	375	391	—	391
OTC Equities	23,667	7,785	15,882	1,750	14,132
OTC Foreign Exchange	7,152	3,728	3,424	1,165	2,259
OTC Interest Rate / Credit	28,754	18,292	10,462	1,672	8,790
Total Derivatives	\$ 68,317	\$ 33,472	\$ 34,845	\$ 4,587	\$ 30,258
Repurchase Agreements	790,887	50,096	740,791	677,317	63,474
Securities on Loan	191,299	—	191,299	191,299	—

Derivative Liabilities	Gross Recognized Liabilities	Gross Amounts Offset	Net Amounts Presented	Net Collateral Pledged	Net Exposure
Exchange Cleared Interest Rate / Credit	\$ 3,065	\$ 1,995	\$ 1,070	\$ 347	\$ 723
Exchange Traded Commodities	819	819	—	—	—
Exchange Traded Equities	478	478	—	—	—
Exchange Traded Foreign Exchange	—	—	—	—	—
Exchange Traded Interest Rate / Credit	38	—	38	—	38
OTC Commodities	3,457	375	3,082	2,550	532

Lockheed Martin Corporation Salaried Employee Retirement Program
Notes to Financial Statements (continued)

OTC Equities	15,025	7,785	7,240	—	7,240
OTC Foreign Exchange	6,902	3,728	3,174	—	3,174
OTC Interest Rate / Credit	27,810	18,292	9,518	1,917	7,601
Total Derivatives	\$ 57,594	\$ 33,472	\$ 24,122	\$ 4,814	\$ 19,308
Repurchase Agreements	87,718	50,096	37,622	—	37,622
Securities on Loan	—	—	—	—	—

Collateralized Transactions

The Master Trust enters into reverse repurchase agreements as well as securities lending and borrowing agreements to generate additional income and earnings. Reverse repurchase agreements are transactions in which the Master Trust lends cash to borrow financial instruments from another firm and simultaneously enters into an agreement to resell the same financial instruments at a higher price in the future. Securities lending agreements are transactions in which the Master Trust lends securities to another firm, in exchange for collateral which is returned upon the conclusion of the loan, with interest received by the Master Trust over the life of the transaction. The collateral requires 102% of the fair value of U.S. securities borrowed and 105% for non-U.S. securities borrowed. The collateral is marked to market on a daily basis. In the event the counterparty is unable to meet its contractual obligation under the securities lending arrangement, the Master Trust may incur losses equal to the amount by which the market value of the securities differ from the amount of collateral held. The Master Trust mitigates credit risk associated with securities lending arrangements by monitoring the fair value of the securities loaned on a daily basis, with additional collateral obtained or refunded as necessary. Securities borrowing agreements are transactions in which the Master Trust borrows securities from another firm, typically in connection with a short sale, in exchange for collateral which is returned upon the conclusion of the transaction.

At December 31, 2014 and 2013, the fair value of securities on loan was \$579,000,000 and \$191,000,000, the fair value of securities borrowed was \$1,366,000,000 and \$977,000,000, and the fair value for reverse repurchase agreements was \$420,000,000 and \$707,000,000. The Master Trust is not permitted to sell or repledge collateral received.

Securities lending and borrowing and reverse repurchase agreement income earned by the Master Trust is recorded on the accrual basis and was approximately \$6,000,000 and \$0 for the year ended December 31, 2014.

5. Parties-in-Interest Transactions

The Master Trust invests in funds managed by The Northern Trust Company, the Trustee. Investments in these funds qualify as party-in-interest transactions for which a statutory exemption from the prohibited transaction regulation exists.

6. Income Tax Status

The IRS has determined and informed the Corporation by letter dated April 25, 2014, that the Plan is designed in accordance with applicable sections of the IRC and, therefore, the related trust is exempt from taxation. The Plan has been amended since issuance of the determination letter. However, the Plan Administrator and the Corporation's counsel believe that the current design and operations of the Plan are in compliance with the applicable provisions of the IRC and, therefore, believe the Plan, as amended, is qualified and the related trust is tax exempt.

GAAP requires plan management to evaluate tax positions taken by the Plan to determine whether the Plan has taken any uncertain positions that more likely than not would not be sustained upon examination by the IRS. The Plan Administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or asset or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions, but no

Lockheed Martin Corporation Salaried Employee Retirement Program
Notes to Financial Statements (continued)

tax audits are in progress. The Plan Administrator believes the Plan is no longer subject to income tax examinations for years prior to 2011.

7. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 (in thousands):

December 31, 2014			
	Amounts per Financial Statements	401(h) Account	Amounts per Form 5500
Assets			
Interest in Master Trust	\$ 28,391,367	\$ 799,113	\$ 29,190,480
Net assets held in Master Trust related to 401(h) account	799,113	(799,113)	—
	<u>\$ 29,190,480</u>	<u>\$ —</u>	<u>\$ 29,190,480</u>
Liabilities			
Amounts related to obligation of 401(h) account	799,113	(799,113)	—
Accrued expenses	23,612	—	23,612
	<u>822,725</u>	<u>(799,113)</u>	<u>23,612</u>
Net assets available for benefits	<u>\$ 28,367,755</u>	<u>\$ 799,113</u>	<u>\$ 29,166,868</u>

December 31, 2013			
	Amounts per Financial Statements	401(h) Account	Amounts per Form 5500
Assets			
Interest in Master Trust	\$ 26,876,371	\$ 717,950	\$ 27,594,321
Employer contributions receivable	854,000	—	854,000
Net assets held in Master Trust related to 401(h) account	717,950	(717,950)	—
	<u>\$ 28,448,321</u>	<u>\$ —</u>	<u>\$ 28,448,321</u>
Liabilities			
Amounts related to obligation of 401(h) account	717,950	(717,950)	—
Accrued expenses	15,940	—	15,940
	<u>733,890</u>	<u>(717,950)</u>	<u>15,940</u>
Net assets available for benefits	<u>\$ 27,714,431</u>	<u>\$ 717,950</u>	<u>\$ 28,432,381</u>

The net assets of the 401(h) account are reflected as net assets available for benefits on the Form 5500, but not in these financial statements as they may only be used to pay retiree medical benefits.

Lockheed Martin Corporation Salaried Employee Retirement Program
Notes to Financial Statements (continued)

The following is a reconciliation of the changes in net assets available for benefits for the year ended December 31, 2014, per the financial statements to the Form 5500 (in thousands):

December 31, 2014			
	Amounts per Financial Statements	401(h) Account	Amounts per Form 5500
Interest in net investment gain of Master Trust ...	\$ —	\$ 50,032	\$ 50,032
Employer Contributions	—	35,000	35,000
Benefit Payments	—	(117)	(117)
Administrative expense	—	(3,752)	(3,752)
Change in net assets of 401(h) account	\$ —	\$ 81,163	\$ 81,163

	Amounts per Financial Statements	Difference	Amounts per Form 5500
Interest in net investment gain of Master Trust ...	\$ 1,848,572	\$ (101,887)	\$ 1,746,685
Change in net assets of 401(h) account	—	(81,163)	81,163
Administrative expenses	(206,662)	183,050	(23,612)

Differences in the Plan's interest in the net investment gain of Master Trust and administrative expenses reported in the financial statements arose from the classification of certain administrative expenses and the change in net assets of the 401(h) account which are included in the net investment gain in the Master Trust for Form 5500 reporting purposes.

SB Actuary Signature

SCHEDULE SB (Form 5500) <small>Department of the Treasury Internal Revenue Service</small> <small>Department of Labor Employee Benefits Security Administration</small> <small>Pension Benefit Guaranty Corporation</small>	Single-Employer Defined Benefit Plan Actuarial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500 or 5500-SF.	OMB No. 1210-0110 2014 This Form is Open to Public Inspection
---	--	---

For calendar plan year 2014 or fiscal plan year beginning 01/01/2014 and ending 12/31/2014

▶ **Round off amounts to nearest dollar.**

▶ **Caution:** A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan <u>LMC Salaried Employee Retirement Program</u>	B Three-digit plan number (PN) ▶ <u>001</u>
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF <u>Lockheed Martin Corporation</u>	D Employer Identification Number (EIN) <u>52-1893632</u>

E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B ☐ Prior year plan size: ☐ 100 or fewer ☐ 101-500 ☒ More than 500

Part I Basic Information

1 Enter the valuation date: Month 1 Day 1 Year 2014

2 Assets:		
a Market value	2a	27,630,603,254
b Actuarial value	2b	27,719,058,254

3 Funding target/participant count breakdown	(1) Number of participants	(2) Vested Funding Target	(3) Total Funding Target
a For retired participants and beneficiaries receiving payment.....	103,386	14,507,208,875	14,507,208,875
b For terminated vested participants.....	55,024	2,218,869,298	2,218,869,298
c For active participants.....	46,589	8,284,393,506	9,097,386,127
d Total.....	204,999	25,010,471,679	25,823,464,300

4 If the plan is in at-risk status, check the box and complete lines (a) and (b)..... ☐		
a Funding target disregarding prescribed at-risk assumptions	4a	
b Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been in at-risk status for fewer than five consecutive years and disregarding loading factor	4b	

5 Effective interest rate	5	6.47 %
6 Target normal cost	6	694,484,848

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

SIGN HERE	Jeffrey K. Martin <i>JKM</i> Signature of actuary <u>Jeffrey K. Martin, F.S.A., E.A.</u> Type or print name of actuary	<u>9/18/2015</u> Date <u>14-04379</u> Most recent enrollment number <u>(860) 534-2435</u> Telephone number (including area code)
	<u>PRIAC</u> Firm name	

280 Trumbull Street
 Hartford CT 06103-2975
 Address of the firm

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

SB Actuary Signature

Schedule SB (Form 5500) 2014

Page 2 -

Part II Beginning of Year Carryover and Prefunding Balances		(a) Carryover balance	(b) Prefunding balance
7	Balance at beginning of prior year after applicable adjustments (line 13 from prior year)	0	3,481,067,760
8	Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	0	706,116,131
9	Amount remaining (line 7 minus line 8)	0	2,774,951,629
10	Interest on line 9 using prior year's actual return of <u>6.34%</u>	0	175931933
11	Prior year's excess contributions to be added to prefunding balance:		
	a Present value of excess contributions (line 38a from prior year)		927409257
	b(1) Interest on the excess, if any, of line 38a over line 38b from prior year Schedule SB, using prior year's effective interest rate of <u>6.6%</u>		14738122
	b(2) Interest on line 38b from prior year Schedule SB, using prior year's actual return		44,767,763
	c Total available at beginning of current plan year to add to prefunding balance		986915142
	d Portion of (c) to be added to prefunding balance		986915142
12	Other reductions in balances due to elections or deemed elections	0	0
13	Balance at beginning of current year (line 9 + line 10 + line 11d – line 12)	0	3937798704

Part III Funding Percentages			
14	Funding target attainment percentage	14	92.09 %
15	Adjusted funding target attainment percentage	15	107.34 %
16	Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement	16	93.45 %
17	If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage	17	%

Part IV Contributions and Liquidity Shortfalls					
18 Contributions made to the plan for the plan year by employer(s) and employees:					
(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
11/28/2014	600,000,000				
12/19/2014	150,000,000				
12/31/2014	200,000,000				
Totals ►			18(b)	950,000,000	18(c) 0

19 Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:

a Contributions allocated toward unpaid minimum required contributions from prior years	19a	0
b Contributions made to avoid restrictions adjusted to valuation date	19b	0
c Contributions allocated toward minimum required contribution for current year adjusted to valuation date	19c	895,221,993

20 Quarterly contributions and liquidity shortfalls:

a Did the plan have a "funding shortfall" for the prior year? ☒ Yes ☐ No

b If line 20a is "Yes," were required quarterly installments for the current year made in a timely manner? ☒ Yes ☐ No

c If line 20a is "Yes," see instructions and complete the following table as applicable:

Liquidity shortfall as of end of quarter of this plan year			
(1) 1st	(2) 2nd	(3) 3rd	(4) 4th
0	0	0	0

SB Actuary Signature

Schedule SB (Form 5500) 2014

Page **3**

Part V Assumptions Used to Determine Funding Target and Target Normal Cost

21 Discount rate:			
a Segment rates:	1st segment: 4.99 %	2nd segment: 6.32 %	3rd segment: 6.99 % ☐ N/A, full yield curve used
b Applicable month (enter code)			21b 4
22 Weighted average retirement age			22 63
23 Mortality table(s) (see instructions)	☐ Prescribed - combined ☒ Prescribed - separate ☐ Substitute		

Part VI Miscellaneous Items

24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment.....	☒ Yes ☐ No
25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment.....	☐ Yes ☒ No
26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment.....	☒ Yes ☐ No
27 If the plan is subject to alternative funding rules, enter applicable code and see instructions regarding attachment.....	27

Part VII Reconciliation of Unpaid Minimum Required Contributions For Prior Years

28 Unpaid minimum required contributions for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (line 19a).....	29	0
30 Remaining amount of unpaid minimum required contributions (line 28 minus line 29)	30	0

Part VIII Minimum Required Contribution For Current Year

31 Target normal cost and excess assets (see instructions):			
a Target normal cost (line 6).....	31a	694,484,848	
b Excess assets, if applicable, but not greater than line 31a	31b	0	
32 Amortization installments:	Outstanding Balance		Installment
a Net shortfall amortization installment	2,042,204,750		534,486,028
b Waiver amortization installment.....	0		0
33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount	33		
34 Total funding requirement before reflecting carryover/prefunding balances (lines 31a - 31b + 32a + 32b - 33)...	34	1,228,970,876	
		Carryover balance	Prefunding balance
35 Balances elected for use to offset funding requirement.....		0	789,635,999
36 Additional cash requirement (line 34 minus line 35)	36	439,334,877	
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c).....	37	895,221,993	
38 Present value of excess contributions for current year (see instructions)			
a Total (excess, if any, of line 37 over line 36)	38a	455,887,116	
b Portion included in line 38a attributable to use of prefunding and funding standard carryover balances	38b	455,887,116	
39 Unpaid minimum required contribution for current year (excess, if any, of line 36 over line 37)	39	0	
40 Unpaid minimum required contributions for all years.....	40	0	

Part IX Pension Funding Relief Under Pension Relief Act of 2010 (See Instructions)

41 If an election was made to use PRA 2010 funding relief for this plan:			
a Schedule elected	☐ 2 plus 7 years ☐ 15 years		
b Eligible plan year(s) for which the election in line 41a was made	☐ 2008 ☐ 2009 ☐ 2010 ☐ 2011		
42 Amount of acceleration adjustment	42		
43 Excess installment acceleration amount to be carried over to future plan years.....	43		

SB Actuary Signature
Lockheed Martin Corporation
Salaried Employee Retirement Program
52-1893632/001
1/1/2014

Line 22 - Description of Weighted Average Retirement Age

A	B	C	D	A * D
Retirement Age	Population	Retirement Rate	Number Retiring	
55	100.00	6%	6.00	330.00
56	94.00	4%	3.76	210.56
57	90.24	4%	3.61	205.75
58	86.63	4%	3.47	200.98
59	83.17	3%	2.49	147.20
60	80.67	20%	16.13	968.04
61	64.54	10%	6.45	393.67
62	58.08	15%	8.71	540.17
63	49.37	12%	5.92	373.24
64	43.45	12%	5.21	333.66
65	38.23	30%	11.47	745.53
66	26.76	20%	5.35	353.27
67	21.41	20%	4.28	286.89
68	17.13	20%	3.43	232.94
69	13.70	20%	2.74	189.09
70	10.96	30%	3.29	230.20
71	7.67	100%	7.67	544.81
				<u>6,286.01</u>

Average Ret Age

62.9

SB Actuary Signature
Lockheed Martin Corporation
Salaried Employee Retirement Program
52-1893632/001
1/1/2014
Part V - Statement of Actuarial Assumptions/Methods

Below are the actuarial assumptions as of January 1, 2014.

Discount Rate:	<u>With HATFA</u>	<u>Without HATFA</u>
Effective Rate	6.47%	4.34%
First Segment – First 5 Years	4.99%	1.37%
Second Segment – Next 15 Years	6.32%	4.05%
Third Segment – After 20 Years	6.99%	5.06%

Mortality: The IRS 2014 Static Mortality Table - Separate

Investment Return: 8.00% per annum, compounded annually

Termination: The probabilities that participants at the ages indicated will terminate within the following year are shown in Table A.

Salary Scale: The annual rates of salary increase vary by age and are shown in Table B.

Covered Compensation: That derived from application of the current Social Security law, with the Taxable Wage Base increasing prospectively at a rate of 4.00% per annum.

Estimated Expenses: \$55,780,924.

Retirement:

Active Participants:

Retirement from active service occurs based on the following set of retirement age rates.

<u>Age</u>	<u>Rate</u>
55	6.0%
56-58	4.0%
59	3.0%
60	20.0%
61	10.0%
62	15.0%
63-64	12.0%
65	30.0%
66-69	20.0%
70	30.0%
71+	100.0%

The weighted average retirement age is 62.9

Terminated Vested Participants: Assumed to retire at age 62.

Form of Payment:

Life annuity.

Survivor's Benefit:

It is assumed that husbands are three years older than wives and that 80% of the male Participants and 80% of the female Participants who are or will become eligible for coverage under the Spouse's Benefit will be survived by an eligible Spouse.

TABLE A
ANNUAL RATES OF TERMINATION

<u>Age</u>	<u>Unisex Rate</u>
20	15.0%
21	15.0%
22	15.0%
23	15.0%
24	15.0%
25	15.0%
26	15.0%
27	15.0%
28	15.0%
29	13.8%
30	12.8%
31	11.6%
32	10.6%
33	9.5%
34	8.5%
35	7.5%
36	6.7%
37	5.9%
38	5.1%
39	4.4%
40	3.8%
41	3.5%
42	3.2%
43	2.9%
44	2.6%
45	2.4%
46	2.3%
47	2.2%
48	2.2%
49	2.1%
50	2.0%
51	2.0%
52	1.9%
53	1.8%
54	1.8%
55 & over	0.0%

TABLE B
ANNUAL RATES OF SALARY INCREASES

<u>Age</u>	<u>Unisex Rate</u>
20	7.75%
21	7.75%
22	7.75%
23	7.75%
24	7.75%
25	7.75%
26	7.00%
27	7.00%
28	7.00%
29	6.50%
30	6.50%
31	6.50%
32	6.00%
33	6.00%
34	6.00%
35	5.50%
36	5.50%
37	5.50%
38	5.25%
39	5.25%
40	5.25%
41	5.00%
42	5.00%
43	5.00%
44	4.75%
45	4.75%
46	4.75%
47	4.50%
48	4.50%
49	4.50%
50	4.25%
51	4.25%
52	4.25%
53	4.00%
54	4.00%
55	4.00%
56	4.00%
57	4.00%
58	4.00%
59	4.00%
60	4.00%
61	4.00%
62	4.00%
63	3.25%
64	3.00%
65 & over	2.75%

Cost Method

Costs have been computed in accordance with the Unit Credit Actuarial Cost Method and reflect the actuarial assumptions described under "Actuarial Assumptions" of this report as provided under the applicable regulations of the Pension Protection Act of 2006.

Target Normal Cost

The Target Normal Cost is the present value of benefits expected to accrue during the plan year plus an estimate of the expenses to be paid from plan assets during the plan year.

Funding Target and Funding Shortfall

The Funding Target is the present value of benefits accrued as of the beginning of the plan year and the Funding Shortfall is the excess of the Funding Target over the Actuarial Value of Assets (reduced by the Credit Balance). The initial Funding Shortfall is amortized over seven years.

In subsequent years, the Funding Shortfall less the present value of prior year amortization installments is amortized over seven years, and added to any prior year amortization installments.

In accordance with the Highway and Transportation Funding Act of 2014 (HATFA), segment rates are adjusted as necessary to fall within the specified corridor of the corresponding 25-year average of segment rates for the period ending September 30 of the calendar year preceding the first day of the plan year. The specified corridor is:

<u>Plan Year</u>	<u>Corridor</u>
2012-2017	90% - 110%
2018	85% - 115%
2019	80% - 120%
2020	75% - 125%
2021 and later	70% - 130%

For the 2013 plan year, segment rates may be adjusted by a corridor of 85% - 115% instead of 90% - 110%, in accordance with the plan sponsor's election.

The adjustments to fall within the specified corridor of the 25-year average of segment rates apply for determining the minimum required contribution and related funded percentages. They do not apply for determining the maximum tax deductible contribution or certain other situations.

Sponsor Elections

Discount Rate: Segment rates, with a 4-month lookback

Mortality Table: Prescribed IRS Static Mortality Table – Separate

At-Risk Determination

The At-Risk Funding Target is determined by assuming that participants eligible to retire in the current plan year and next 10 plan years retire at the earliest possible date, but not before the end of the plan year. All participants are assumed to elect the optional form resulting in the highest possible present value.

A load is added to the At-Risk Funding Target and At-Risk Target Normal Cost when a plan is At-Risk in at least two years during the preceding four years. The load increases the At-Risk Funding Target by 4% of the Not At-Risk Funding Target plus \$700 per participant, and increases the At-Risk Target Normal Cost by 4% of the Not At-Risk Target Normal Cost.

The Funding Target and Target Normal Cost are calculated by multiplying the Not At-Risk values by 100% minus the Phase-In Percentage, plus the At-Risk values multiplied by the Phase-In Percentage.

Credit Balance

The Credit Balance consists of the Carryover Balance from excess contributions prior to the Pension Protection Act (PPA) of 2006, plus the Prefunding Balance from elected excess contributions after the PPA. Balances accumulate with interest and are reduced for amounts applied towards the Minimum Required Contribution, voluntary waivers by the plan sponsor, and compelled waivers to avoid benefit restrictions. The Actuarial Value of Assets is reduced by the Credit Balance to determine certain funded percentages and to determine the Funding Shortfall.

Asset Valuation Method

The Actuarial Value of Assets is determined using an annual average of the adjusted Fair Market Value of Assets with the earliest determination 24 months prior to the valuation date. The Fair Market Value of Assets in prior years is adjusted for contributions, benefit payments, expenses and expected earnings (not to exceed the third segment rate).

This is equivalent to the Fair Market Value of Assets, plus two-thirds of the (gain)/loss from the prior year, plus one-third of the (gain)/loss from the second preceding year. The (gain)/loss in each year is the difference between the expected and actual returns on the Fair Market Value of Assets.

The Actuarial Value of Assets is adjusted to be no less than 90% or no more than 110% of the Fair Market Value of Assets, as required by IRC Section 430(g)(3)(B)(iii).

Since the expected earnings assumption cannot exceed the third segment rate, over time, the method may produce an Actuarial Value of Assets slightly below the Fair Market Value of Assets.

The Actuarial Value of Assets for determining the Maximum Tax Deductible Contribution reflects HATFA interest rates for discounting contributions and limiting expected earnings.

Participation Eligibility

All employees become participants on their respective hire dates unless they are members of a collective bargaining unit.

Plan participation is frozen to new hires after December 31, 2005.

Pensionable Earnings

Annual base rate of pay determined as of December 25. Includes lump sums in lieu of merit increases, management incentive compensation awards, and special recognition awards. Excludes overtime, shift differentials, severance pay, and pay in lieu of vacation.

Compensation is subject to the legislated maximum under Internal Revenue Code Section 401(a)(17).

Final Average Pensionable Earnings

The average of the highest three years out of the last ten years preceding normal retirement, early retirement, or termination of employment.

Service

One year for each calendar year in which the participant is credited with at least 1,000 hours and a pro-rata portion of a year for less than 1,000 and more than 190 hours.

Credited Service

One year for each calendar year in which the participant is credited with at least 2,080 hours and a pro-rata portion of a year for less than 2,080 hours.

Normal Form of Annuity

Life Annuity.

Normal Retirement Date

The first day of the month coinciding with or next following the Participant's 65th birthday or the completion of 5 years of Service

Social Security Covered Compensation

The annual average of the Social Security taxable wage bases in effect for each calendar year during the 35 year period ending with the last day of the calendar year in which the participant attains Social Security Retirement Age.

Vesting Schedule

Five years of Service.

Vested Benefit

Retirement benefit accrued to date of termination and payable at Normal Retirement Date.

Benefit Formula

The sum of (a), (b), and (c):

- a) 1.250% times the lesser of Final Average Pensionable Earnings or Social Security Covered Compensation times Credited Service up to 35 years.
- b) 1.500% times Final Average Pensionable Earnings in excess of Social Security Covered Compensation times Credited Service up to 35 years.
- c) 1.500% times Final Average Pensionable Earnings times Credited Service over 35 years.

Income Payable

Amount described in section (a) or (b) below, whichever applies:

- a) If Participant has a Spouse as of his retirement date and does not elect otherwise, retirement income shall be paid on the basis of Joint and Survivor form, as stipulated by ERISA, and will be the amount determined under the benefit formula multiplied by the appropriate factor.
- b) If Participant either has no Spouse as of his retirement date or elects to receive his income under the Normal Form, retirement income will be the amount determined under the benefit formula.

Early Eligibility

Attainment of age 55 and 5 years of Service.

Early Benefit Amount

An annual benefit payable prior to Normal Retirement, but on or after the Early Retirement Eligibility Date.

Actives

The benefit amount is calculated based on years of Service and Final Average Pensionable Earnings at Early Retirement. This amount is then reduced by 5% for each year by which commencement of benefits precedes age 60.

Terminated Vested

The benefit amount is calculated based on years of Service and Final Average Pensionable Earnings at Termination Date. This amount will then be actuarially reduced for each year by which commencement of benefits precedes age 65.

Preretirement Spouse Benefit

A. Eligibility

Death occurs after attainment of the eligibility age for early retirement.

Benefit Formula

100% of the pension benefit accrued to date of death, reduced by appropriate early retirement and joint-and-survivor factors.

B. Eligibility

Death occurs after attainment of eligibility for vesting but prior to eligibility age for early retirement.

Benefit Formula

100% of the vested pension benefit accrued to date of death reduced by the appropriate early and joint and survivor factors. Payments are deferred to no earlier than the early retirement date of the deceased Participant.

Special Provisions for Heritage Participants of the Lockheed Martin Corporation Retirement Plan for Certain Salaried Employees

Grandfathered Benefit Formula

For Employees with Service prior to 7/1/97, the benefit will not be less than the sum of (i) and (ii):

- i) The retirement benefit based on the Heritage Benefit Formula for Service through 6/30/02.
- ii) The retirement based on the current benefit formula for Service after 6/30/02.

The heritage portion of the benefit will be based on Final Average Compensation at actual Retirement or Termination date and Heritage Early Retirement Reduction factors.

Additionally, for participants with Service at the Fort Worth and Abilene Divisions of General Dynamics prior to 2/15/93, the benefit will be no less than (iii) plus (iv):

- iii) The retirement benefit attributable to General Dynamics service as of 2/15/93 determined under the General Dynamics Retirement Plan, recognizing compensation from Lockheed Martin Corporation through actual termination or retirement.
- iv) The retirement benefit based on the current benefit formula for Service after 2/15/93.

Heritage Benefit Formula

The sum of (a), (b), and (c):

- a) 1.250% times \$15,600 times Credited Service up to 35 years.
- b) 1.500% times 5-year Final Average Earnings in excess of \$15,600 times Credited Service up to 35 years.
- c) 1.500% times 5-year Final Average Earnings times Credited Service over 35 years.

Heritage Early Retirement Reduction

Actives

The reduction is 2.5% per point less than 85 points. The reduction will not be more than 2.5% per year from age 65. Points reflect all Age and Service through Early Retirement Date.

Terminated Vested

The reduction is actuarially equivalent from age 65.

Special Provisions for Heritage Participants of the Lockheed Martin Corporation Retirement Income Plan

Grandfathered Benefit Formula

For Employees with Service prior to 7/1/97, the benefit will not be less than the sum of i) and ii):

- i) The retirement benefit based on the Heritage Benefit Formula for Service through 6/30/02.
- ii) The retirement based on the current benefit formula for Service after 6/30/02.

The heritage portion of the benefit will be based on Final Average Compensation at actual Retirement or Termination date and Heritage Early Retirement Reduction factors.

Additionally, for former GEA heritage participants, the benefit will not be less than the applicable GEA Heritage Benefit.

Heritage Benefit Formula

The sum of (a), (b), and (c):

- a) 1.165% times the lesser of Final Average Earnings or Social Security Covered Compensation times Credited Service up to 35 years.
- b.) 1.500% times Final Average Earnings in excess of Social Security Covered Compensation times Credited Service up to 35 years.
- c) 1.500% times 5-year Final Average Earnings times Credited Service over 35 years.

Heritage Early Retirement Reduction

Actives

The reduction is 7.0% per year prior to age 60. The 7.0% factor is reduced by 0.14% for each year of Service in excess of 5 years (including all Service through Early Retirement Date). The reduction factor will not be less than 3.5%.

Terminated Vested

The reduction is 5.0% per year prior to age 65, reduced by 0.10% for each year of Service in excess of 5 years (including all Service through Termination Date). The reduction factor will not be less than 2.5% per year. Effective 7/1/1997, the reduction is actuarially equivalent from age 65.

Heritage GEA Benefit

A Career Average Benefit payable as a 5-year certain form of annuity, payable unreduced at age 60, plus the Personal Pension Account.

Career Average Benefit

1.45% of the employee's Compensation earned in each calendar year up to Social Security Compensation less \$3,192, plus 1.90% of remaining Compensation (1.45% of all Compensation earned in each calendar year after service as of January 1 exceeds 34 years).

Personal Pension Account

Employee contribution in each calendar year after 12/31/88, plus voluntary contributions in each calendar year after 12/31/90, credited with interest at a prescribed rate. No additional contributions are allowed after 1/1/95. Unless waived by the employee with spouse consent, the required and voluntary accounts are converted to an annuity based on the form of annuity elected for the regular pension. Account values are not included in the plan liabilities; the plan assets are reduced for the account values.

Special Provisions for Heritage Participants of the Lockheed Martin Corporation Retirement Income Plan III

Grandfathered Benefit Formula

For Federal Systems employees with Service prior to 1/1/99, the benefit is not less than the retirement benefit produced by Formula 1.

For Federal Systems employees with Service prior to 2/1/91, the benefit is not less than the larger of the retirement benefits produced by Formula 1 and Formula 2:

Formula 1

- i) 1.35% of average compensation paid 1989-1993 for each year of service through 1993, plus
- ii) 1.35% of each year's compensation, plus (effective 4/1/96) 0.25% of each year's compensation in excess of the Social Security wage base, paid for service after 1993.

Formula 2

- i) 1.50% of average compensation paid 1989-1993 for each year of service through 1993, plus
- ii) 1.50% of each year's compensation, plus (effective 4/1/96) 0.10% of each year's compensation in excess of the Social Security wage base, paid for service after 1993.

For all other Heritage Participants hired prior to 1/1/99, the current benefit formula will not reflect service prior to 1/1/99. For these participants, benefits will only reflect the sum of a) and b):

- a) The retirement benefit based on the applicable Heritage Benefit Formula for Service through 1/1/99.
- b) The retirement benefit based on the current benefit formula for Service after 1/1/99.

Heritage Benefit Provisions

Benefit Amounts

Vary by pension accrual rules applicable to the following Heritages:

- LM Tactical Systems
- LM Electro-Optical Systems
- LM TDS Salaried – Akron/Arizona
- LM Fairchild Salaried
- LM Infrared and Imaging Systems
- LM Aerospace
- LM Librascope
- LM Vought

Benefit Service

Generally Service through 1/1/1999.

Final Compensation

Generally based on career average or final average compensation as of actual termination or retirement date.

Early Retirement

Reductions vary by group. Reductions are applicable to Heritage portion of benefit. Reductions for Actives and Terminated Vested employees are generally the same.

Changes in Actuarial Assumptions

Effective with this valuation, the following non-prescribed actuarial assumption change was recognized:

- The Expense Load was changed from \$49,977,517 to \$55,780,924 to reflect actual administrative expenses.

SB Actuary Signature
 Lockheed Martin Corporation
 Salaried Employee Retirement Program
 52-1893632/001
 1/1/2014
 Line 26 - Schedule of Active Participant Data

Number of Active Participants as of January 1, 2014 – Distribution by Age and Service

Active participant counts and average compensation are shown below. Compensation reflects the IRS 401(a)(17) limitations. For cells with less than 20 participants, average compensation has been omitted.

Age	Years of Credited Service										Total
	<1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
<25	1										1
25 to 29	24 62,782	58 66,140	66 78,493	15							163 70,085
30 to 34	32 75,131	190 82,027	1,766 94,824	1,486 105,461	1						3,475 98,504
35 to 39	14	97 89,646	868 99,058	2,563 109,676	558 123,309	1					4,101 108,647
40 to 44	16	74 81,970	681 101,664	1,600 113,047	1,261 125,420	181 145,482					3,813 115,904
45 to 49	19	81 77,321	743 105,425	1,596 115,877	1,385 125,831	1,060 137,754	678 139,794	18			5,580 123,330
50 to 54	33 97,051	90 82,428	993 105,555	2,296 118,550	1,827 129,195	1,677 134,997	3,877 142,947	1,342 142,779	41 82,672		12,176 131,346
55 to 59	25 107,057	39 87,294	721 107,496	1,599 113,435	1,438 122,562	1,089 128,491	2,585 134,054	2,804 141,779	495 132,717	22 107,471	10,817 128,804
60 to 64	12	19	322 107,195	742 110,576	660 121,058	431 117,633	939 124,790	1,077 131,481	457 133,990	129 120,453	4,788 122,261
65 to 69	2	4	102 98,437	244 114,456	243 120,992	138 115,537	298 123,158	256 124,434	119 126,308	112 132,981	1,518 120,013
70 & up	2	2	8	23 115,611	27 129,208	11	25 143,743	24 116,491	14	21 144,301	157 126,578
Total	180 86,032	654 81,179	6,270 101,120	12,164 112,688	7,400 125,195	4,588 132,221	8,402 137,228	5,521 138,947	1,126 130,616	284 126,151	46,589 122,549

The prior year amortization values and the development of the amortization for the current plan year are shown below.

Prior Year Amortization Amounts

<u>Plan Year</u>	<u>Installment</u>	<u>Years Remaining</u>	<u>Present Value</u>
2013	\$92,077,167	6	\$486,430,285
2012	(474,565,257)	5	(2,157,741,138)
2011	784,202,206	4	2,920,179,545
2010	0	n/a	0
2009	0	n/a	0
2008	0	n/a	0
 Total	 \$401,714,116		 \$1,248,868,692

Current Year Amortization

1. Exemption from Current Year Amortization	No
2. Funding Shortfall to be Amortized	\$2,042,204,750
3. Present Value of Prior Year Amortization Installments	1,248,868,692
4. Current Year Amortization Base [2 – 3]	793,336,058
5. Current Year Amortization Installment	\$132,771,912

Net Shortfall Amortization Installment

6. Current Year Amortization Installment	\$132,771,912
7. Sum of Prior Year Amortization Installments	401,714,116
8. Net Shortfall Amortization Installment [6 + 7, not less than \$0]	\$534,486,028

Lockheed Martin Corporation
Salaried Employee Retirement Program
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Line 22 - Description of Weighted Average Retirement Age

A	B	C	D	A * D
Retirement Age	Population	Retirement Rate	Number Retiring	
55	100.00	6%	6.00	330.00
56	94.00	4%	3.76	210.56
57	90.24	4%	3.61	205.75
58	86.63	4%	3.47	200.98
59	83.17	3%	2.49	147.20
60	80.67	20%	16.13	968.04
61	64.54	10%	6.45	393.67
62	58.08	15%	8.71	540.17
63	49.37	12%	5.92	373.24
64	43.45	12%	5.21	333.66
65	38.23	30%	11.47	745.53
66	26.76	20%	5.35	353.27
67	21.41	20%	4.28	286.89
68	17.13	20%	3.43	232.94
69	13.70	20%	2.74	189.09
70	10.96	30%	3.29	230.20
71	7.67	100%	7.67	544.81
				<u>6,286.01</u>
Average Ret Age				62.9

Lockheed Martin Corporation
Salaried Employee Retirement Program
52-1893632/001
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Part V - Statement of Actuarial Assumptions/Methods

Below are the actuarial assumptions as of January 1, 2014.

Discount Rate:	<u>With HATFA</u>	<u>Without HATFA</u>
Effective Rate	6.47%	4.34%
First Segment – First 5 Years	4.99%	1.37%
Second Segment – Next 15 Years	6.32%	4.05%
Third Segment – After 20 Years	6.99%	5.06%

Mortality: The IRS 2014 Static Mortality Table - Separate

Investment Return: 8.00% per annum, compounded annually

Termination: The probabilities that participants at the ages indicated will terminate within the following year are shown in Table A.

Salary Scale: The annual rates of salary increase vary by age and are shown in Table B.

Covered Compensation: That derived from application of the current Social Security law, with the Taxable Wage Base increasing prospectively at a rate of 4.00% per annum.

Estimated Expenses: \$55,780,924.

Retirement:

Active Participants:

Retirement from active service occurs based on the following set of retirement age rates.

<u>Age</u>	<u>Rate</u>
55	6.0%
56-58	4.0%
59	3.0%
60	20.0%
61	10.0%
62	15.0%
63-64	12.0%
65	30.0%
66-69	20.0%
70	30.0%
71+	100.0%

The weighted average retirement age is 62.9

Terminated Vested Participants: Assumed to retire at age 62.

Form of Payment:

Life annuity.

Survivor's Benefit:

It is assumed that husbands are three years older than wives and that 80% of the male Participants and 80% of the female Participants who are or will become eligible for coverage under the Spouse's Benefit will be survived by an eligible Spouse.

TABLE A
ANNUAL RATES OF TERMINATION

<u>Age</u>	<u>Unisex Rate</u>
20	15.0%
21	15.0%
22	15.0%
23	15.0%
24	15.0%
25	15.0%
26	15.0%
27	15.0%
28	15.0%
29	13.8%
30	12.8%
31	11.6%
32	10.6%
33	9.5%
34	8.5%
35	7.5%
36	6.7%
37	5.9%
38	5.1%
39	4.4%
40	3.8%
41	3.5%
42	3.2%
43	2.9%
44	2.6%
45	2.4%
46	2.3%
47	2.2%
48	2.2%
49	2.1%
50	2.0%
51	2.0%
52	1.9%
53	1.8%
54	1.8%
55 & over	0.0%

TABLE B
ANNUAL RATES OF SALARY INCREASES

<u>Age</u>	<u>Unisex Rate</u>
20	7.75%
21	7.75%
22	7.75%
23	7.75%
24	7.75%
25	7.75%
26	7.00%
27	7.00%
28	7.00%
29	6.50%
30	6.50%
31	6.50%
32	6.00%
33	6.00%
34	6.00%
35	5.50%
36	5.50%
37	5.50%
38	5.25%
39	5.25%
40	5.25%
41	5.00%
42	5.00%
43	5.00%
44	4.75%
45	4.75%
46	4.75%
47	4.50%
48	4.50%
49	4.50%
50	4.25%
51	4.25%
52	4.25%
53	4.00%
54	4.00%
55	4.00%
56	4.00%
57	4.00%
58	4.00%
59	4.00%
60	4.00%
61	4.00%
62	4.00%
63	3.25%
64	3.00%
65 & over	2.75%

Cost Method

Costs have been computed in accordance with the Unit Credit Actuarial Cost Method and reflect the actuarial assumptions described under "Actuarial Assumptions" of this report as provided under the applicable regulations of the Pension Protection Act of 2006.

Target Normal Cost

The Target Normal Cost is the present value of benefits expected to accrue during the plan year plus an estimate of the expenses to be paid from plan assets during the plan year.

Funding Target and Funding Shortfall

The Funding Target is the present value of benefits accrued as of the beginning of the plan year and the Funding Shortfall is the excess of the Funding Target over the Actuarial Value of Assets (reduced by the Credit Balance). The initial Funding Shortfall is amortized over seven years.

In subsequent years, the Funding Shortfall less the present value of prior year amortization installments is amortized over seven years, and added to any prior year amortization installments.

In accordance with the Highway and Transportation Funding Act of 2014 (HATFA), segment rates are adjusted as necessary to fall within the specified corridor of the corresponding 25-year average of segment rates for the period ending September 30 of the calendar year preceding the first day of the plan year. The specified corridor is:

<u>Plan Year</u>	<u>Corridor</u>
2012-2017	90% - 110%
2018	85% - 115%
2019	80% - 120%
2020	75% - 125%
2021 and later	70% - 130%

For the 2013 plan year, segment rates may be adjusted by a corridor of 85% - 115% instead of 90% - 110%, in accordance with the plan sponsor's election.

The adjustments to fall within the specified corridor of the 25-year average of segment rates apply for determining the minimum required contribution and related funded percentages. They do not apply for determining the maximum tax deductible contribution or certain other situations.

Sponsor Elections

Discount Rate: Segment rates, with a 4-month lookback

Mortality Table: Prescribed IRS Static Mortality Table – Separate

At-Risk Determination

The At-Risk Funding Target is determined by assuming that participants eligible to retire in the current plan year and next 10 plan years retire at the earliest possible date, but not before the end of the plan year. All participants are assumed to elect the optional form resulting in the highest possible present value.

A load is added to the At-Risk Funding Target and At-Risk Target Normal Cost when a plan is At-Risk in at least two years during the preceding four years. The load increases the At-Risk Funding Target by 4% of the Not At-Risk Funding Target plus \$700 per participant, and increases the At-Risk Target Normal Cost by 4% of the Not At-Risk Target Normal Cost.

The Funding Target and Target Normal Cost are calculated by multiplying the Not At-Risk values by 100% minus the Phase-In Percentage, plus the At-Risk values multiplied by the Phase-In Percentage.

Credit Balance

The Credit Balance consists of the Carryover Balance from excess contributions prior to the Pension Protection Act (PPA) of 2006, plus the Prefunding Balance from elected excess contributions after the PPA. Balances accumulate with interest and are reduced for amounts applied towards the Minimum Required Contribution, voluntary waivers by the plan sponsor, and compelled waivers to avoid benefit restrictions. The Actuarial Value of Assets is reduced by the Credit Balance to determine certain funded percentages and to determine the Funding Shortfall.

Asset Valuation Method

The Actuarial Value of Assets is determined using an annual average of the adjusted Fair Market Value of Assets with the earliest determination 24 months prior to the valuation date. The Fair Market Value of Assets in prior years is adjusted for contributions, benefit payments, expenses and expected earnings (not to exceed the third segment rate).

This is equivalent to the Fair Market Value of Assets, plus two-thirds of the (gain)/loss from the prior year, plus one-third of the (gain)/loss from the second preceding year. The (gain)/loss in each year is the difference between the expected and actual returns on the Fair Market Value of Assets.

The Actuarial Value of Assets is adjusted to be no less than 90% or no more than 110% of the Fair Market Value of Assets, as required by IRC Section 430(g)(3)(B)(iii).

Since the expected earnings assumption cannot exceed the third segment rate, over time, the method may produce an Actuarial Value of Assets slightly below the Fair Market Value of Assets.

The Actuarial Value of Assets for determining the Maximum Tax Deductible Contribution reflects HATFA interest rates for discounting contributions and limiting expected earnings.

Participation Eligibility

All employees become participants on their respective hire dates unless they are members of a collective bargaining unit.

Plan participation is frozen to new hires after December 31, 2005.

Pensionable Earnings

Annual base rate of pay determined as of December 25. Includes lump sums in lieu of merit increases, management incentive compensation awards, and special recognition awards. Excludes overtime, shift differentials, severance pay, and pay in lieu of vacation.

Compensation is subject to the legislated maximum under Internal Revenue Code Section 401(a)(17).

Final Average Pensionable Earnings

The average of the highest three years out of the last ten years preceding normal retirement, early retirement, or termination of employment.

Service

One year for each calendar year in which the participant is credited with at least 1,000 hours and a pro-rata portion of a year for less than 1,000 and more than 190 hours.

Credited Service

One year for each calendar year in which the participant is credited with at least 2,080 hours and a pro-rata portion of a year for less than 2,080 hours.

Normal Form of Annuity

Life Annuity.

Normal Retirement Date

The first day of the month coinciding with or next following the Participant's 65th birthday or the completion of 5 years of Service

Social Security Covered Compensation

The annual average of the Social Security taxable wage bases in effect for each calendar year during the 35 year period ending with the last day of the calendar year in which the participant attains Social Security Retirement Age.

Vesting Schedule

Five years of Service.

Vested Benefit

Retirement benefit accrued to date of termination and payable at Normal Retirement Date.

Benefit Formula

The sum of (a), (b), and (c):

- a) 1.250% times the lesser of Final Average Pensionable Earnings or Social Security Covered Compensation times Credited Service up to 35 years.
- b) 1.500% times Final Average Pensionable Earnings in excess of Social Security Covered Compensation times Credited Service up to 35 years.
- c) 1.500% times Final Average Pensionable Earnings times Credited Service over 35 years.

Income Payable

Amount described in section (a) or (b) below, whichever applies:

- a) If Participant has a Spouse as of his retirement date and does not elect otherwise, retirement income shall be paid on the basis of Joint and Survivor form, as stipulated by ERISA, and will be the amount determined under the benefit formula multiplied by the appropriate factor.
- b) If Participant either has no Spouse as of his retirement date or elects to receive his income under the Normal Form, retirement income will be the amount determined under the benefit formula.

Early Eligibility

Attainment of age 55 and 5 years of Service.

Early Benefit Amount

An annual benefit payable prior to Normal Retirement, but on or after the Early Retirement Eligibility Date.

Actives

The benefit amount is calculated based on years of Service and Final Average Pensionable Earnings at Early Retirement. This amount is then reduced by 5% for each year by which commencement of benefits precedes age 60.

Terminated Vested

The benefit amount is calculated based on years of Service and Final Average Pensionable Earnings at Termination Date. This amount will then be actuarially reduced for each year by which commencement of benefits precedes age 65.

Preretirement Spouse Benefit

A. Eligibility

Death occurs after attainment of the eligibility age for early retirement.

Benefit Formula

100% of the pension benefit accrued to date of death, reduced by appropriate early retirement and joint-and-survivor factors.

B. Eligibility

Death occurs after attainment of eligibility for vesting but prior to eligibility age for early retirement.

Benefit Formula

100% of the vested pension benefit accrued to date of death reduced by the appropriate early and joint and survivor factors. Payments are deferred to no earlier than the early retirement date of the deceased Participant.

Special Provisions for Heritage Participants of the Lockheed Martin Corporation Retirement Plan for Certain Salaried Employees

Grandfathered Benefit Formula

For Employees with Service prior to 7/1/97, the benefit will not be less than the sum of (i) and (ii):

- i) The retirement benefit based on the Heritage Benefit Formula for Service through 6/30/02.
- ii) The retirement based on the current benefit formula for Service after 6/30/02.

The heritage portion of the benefit will be based on Final Average Compensation at actual Retirement or Termination date and Heritage Early Retirement Reduction factors.

Additionally, for participants with Service at the Fort Worth and Abilene Divisions of General Dynamics prior to 2/15/93, the benefit will be no less than (iii) plus (iv):

- iii) The retirement benefit attributable to General Dynamics service as of 2/15/93 determined under the General Dynamics Retirement Plan, recognizing compensation from Lockheed Martin Corporation through actual termination or retirement.
- iv) The retirement benefit based on the current benefit formula for Service after 2/15/93.

Heritage Benefit Formula

The sum of (a), (b), and (c):

- a) 1.250% times \$15,600 times Credited Service up to 35 years.
- b) 1.500% times 5-year Final Average Earnings in excess of \$15,600 times Credited Service up to 35 years.
- c) 1.500% times 5-year Final Average Earnings times Credited Service over 35 years.

Heritage Early Retirement Reduction

Actives

The reduction is 2.5% per point less than 85 points. The reduction will not be more than 2.5% per year from age 65. Points reflect all Age and Service through Early Retirement Date.

Terminated Vested

The reduction is actuarially equivalent from age 65.

Special Provisions for Heritage Participants of the Lockheed Martin Corporation Retirement Income Plan

Grandfathered Benefit Formula

For Employees with Service prior to 7/1/97, the benefit will not be less than the sum of i) and ii):

- i) The retirement benefit based on the Heritage Benefit Formula for Service through 6/30/02.
- ii) The retirement based on the current benefit formula for Service after 6/30/02.

The heritage portion of the benefit will be based on Final Average Compensation at actual Retirement or Termination date and Heritage Early Retirement Reduction factors.

Additionally, for former GEA heritage participants, the benefit will not be less than the applicable GEA Heritage Benefit.

Heritage Benefit Formula

The sum of (a), (b), and (c):

- a) 1.165% times the lesser of Final Average Earnings or Social Security Covered Compensation times Credited Service up to 35 years.
- b.) 1.500% times Final Average Earnings in excess of Social Security Covered Compensation times Credited Service up to 35 years.
- c) 1.500% times 5-year Final Average Earnings times Credited Service over 35 years.

Heritage Early Retirement Reduction

Actives

The reduction is 7.0% per year prior to age 60. The 7.0% factor is reduced by 0.14% for each year of Service in excess of 5 years (including all Service through Early Retirement Date). The reduction factor will not be less than 3.5%.

Terminated Vested

The reduction is 5.0% per year prior to age 65, reduced by 0.10% for each year of Service in excess of 5 years (including all Service through Termination Date). The reduction factor will not be less than 2.5% per year. Effective 7/1/1997, the reduction is actuarially equivalent from age 65.

Heritage GEA Benefit

A Career Average Benefit payable as a 5-year certain form of annuity, payable unreduced at age 60, plus the Personal Pension Account.

Career Average Benefit

1.45% of the employee's Compensation earned in each calendar year up to Social Security Compensation less \$3,192, plus 1.90% of remaining Compensation (1.45% of all Compensation earned in each calendar year after service as of January 1 exceeds 34 years).

Personal Pension Account

Employee contribution in each calendar year after 12/31/88, plus voluntary contributions in each calendar year after 12/31/90, credited with interest at a prescribed rate. No additional contributions are allowed after 1/1/95. Unless waived by the employee with spouse consent, the required and voluntary accounts are converted to an annuity based on the form of annuity elected for the regular pension. Account values are not included in the plan liabilities; the plan assets are reduced for the account values.

Special Provisions for Heritage Participants of the Lockheed Martin Corporation Retirement Income Plan III

Grandfathered Benefit Formula

For Federal Systems employees with Service prior to 1/1/99, the benefit is not less than the retirement benefit produced by Formula 1.

For Federal Systems employees with Service prior to 2/1/91, the benefit is not less than the larger of the retirement benefits produced by Formula 1 and Formula 2:

Formula 1

- i) 1.35% of average compensation paid 1989-1993 for each year of service through 1993, plus
- ii) 1.35% of each year's compensation, plus (effective 4/1/96) 0.25% of each year's compensation in excess of the Social Security wage base, paid for service after 1993.

Formula 2

- i) 1.50% of average compensation paid 1989-1993 for each year of service through 1993, plus
- ii) 1.50% of each year's compensation, plus (effective 4/1/96) 0.10% of each year's compensation in excess of the Social Security wage base, paid for service after 1993.

For all other Heritage Participants hired prior to 1/1/99, the current benefit formula will not reflect service prior to 1/1/99. For these participants, benefits will only reflect the sum of a) and b):

- a) The retirement benefit based on the applicable Heritage Benefit Formula for Service through 1/1/99.
- b) The retirement benefit based on the current benefit formula for Service after 1/1/99.

Heritage Benefit Provisions

Benefit Amounts

Vary by pension accrual rules applicable to the following Heritages:

- LM Tactical Systems
- LM Electro-Optical Systems
- LM TDS Salaried – Akron/Arizona
- LM Fairchild Salaried
- LM Infrared and Imaging Systems
- LM Aerospace
- LM Librascope
- LM Vought

Benefit Service

Generally Service through 1/1/1999.

Final Compensation

Generally based on career average or final average compensation as of actual termination or retirement date.

Early Retirement

Reductions vary by group. Reductions are applicable to Heritage portion of benefit. Reductions for Actives and Terminated Vested employees are generally the same.

Changes in Actuarial Assumptions

Effective with this valuation, the following non-prescribed actuarial assumption change was recognized:

- The Expense Load was changed from \$49,977,517 to \$55,780,924 to reflect actual administrative expenses.

Lockheed Martin Corporation
Salaried Employee Retirement Program
52-1893632/001
1/1/2014
Line 26 - Schedule of Active Participant Data

Number of Active Participants as of January 1, 2014 – Distribution by Age and Service

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50 to 54	33 97,051	90 82,428	993 105,555	2,296 118,550	1,827 129,195	1,677 134,997	3,877 142,947	1,342 142,779	41 82,672		12,176 131,346
55 to 59	25 107,057	39 87,294	721 107,496	1,599 113,435	1,438 122,562	1,089 128,491	2,585 134,054	2,804 141,779	495 132,717	22 107,471	10,817 128,804
60 to 64	12	19	322 107,195	742 110,576	660 121,058	431 117,633	939 124,790	1,077 131,481	457 133,990	129 120,453	4,788 122,261
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