

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 <div style="text-align: center; font-size: 1.2em; font-weight: bold;">2015</div> This Form is Open to Public Inspection
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Part I Annual Report Identification Information	
For calendar plan year 2015 or fiscal plan year beginning <u>01/01/2015</u> and ending <u>12/31/2015</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 <u>LOCKHEED MARTIN CORPORATION SALARIED EMPLOYEE RETIREMENT PROGRAM</u>	1b Three-digit plan number (PN) ▶	<u>001</u>
	1c Effective date of plan	<u>12/31/1942</u>
2a Plan sponsor's name (employer, if for a single-employer plan) Mailing address (include room, apt., suite no. and street, or P.O. Box) City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions) <u>LOCKHEED MARTIN CORPORATION</u> <u>6801 ROCKLEDGE DRIVE, CCT-115</u> <u>BETHESDA, MD 20817</u>	2b Employer Identification Number (EIN) <u>52-1893632</u>	2c Plan Sponsor's telephone number <u>863-647-0370</u>
	2d Business code (see instructions) <u>339900</u>	

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.	10/15/2016	ROBERT MUENINGHOFF
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	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)			Preparer's telephone number

3a Plan administrator's name and address ☒ Same as Plan Sponsor	3b Administrator's EIN
	3c Administrator's telephone number
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: a Sponsor's name	4b EIN 4c PN
5 Total number of participants at the beginning of the plan year	5 195072
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).	
a(1) Total number of active participants at the beginning of the plan year.....	6a(1) 43304
a(2) Total number of active participants at the end of the plan year	6a(2) 39768
b Retired or separated participants receiving benefits.....	6b 88942
c Other retired or separated participants entitled to future benefits.....	6c 47315
d Subtotal. Add lines 6a(2) , 6b , and 6c	6d 176025
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....	6e 16117
f Total. Add lines 6d and 6e	6f 192142
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 3
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

- (1)** ☒ **R** (Retirement Plan Information)
- (2)** ☐ **MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
- (3)** ☒ **SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

b General Schedules

- (1)** ☒ **H** (Financial Information)
- (2)** ☐ **I** (Financial Information – Small Plan)
- (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)
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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 2015 Form M-1 annual report. If the plan was not required to file the 2015 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 _____

<div>SCHEDULE SB (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation</div>	<div>Single-Employer Defined Benefit Plan Actuarial Information</div> <div>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).</div> <div>▶ File as an attachment to Form 5500 or 5500-SF.</div>	<div>OMB No. 1210-0110</div> <div>2015</div> <div>This Form is Open to Public Inspection</div>
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For calendar plan year 2015 or fiscal plan year beginning 01/01/2015 and ending 12/31/2015

▶ 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 2015			
2 Assets:			
a Market value	2a	28327192420	
b Actuarial value	2b	28465469526	
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	104363	15392761886	15392761886
b For terminated vested participants	47405	2081977525	2081977525
c For active participants	43304	8766276074	9557571928
d Total	195072	26241015485	27032311339
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	6.27%	
6 Target normal cost	6	779050106	

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		
Signature of actuary	09/19/2016	
JEFFREY K. MARTIN, F.S.A., E.A.	Date	
Type or print name of actuary	14-04379	
PRIAC	Most recent enrollment number	
280 TRUMBULL STREET HARTFORD, CT 06103-2975	860-534-2435	
Firm name	Telephone number (including area code)	
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 ☐

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	3937798704
8	Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	0	789635999
9	Amount remaining (line 7 minus line 8)	0	3148162705
10	Interest on line 9 using prior year's actual return of <u>6.52</u> %	0	205260208
11	Prior year's excess contributions to be added to prefunding balance:		
a	Present value of excess contributions (line 38a from prior year)		455887116
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>6.47</u> %		0
b(2)	Interest on line 38b from prior year Schedule SB, using prior year's actual return		29723840
c	Total available at beginning of current plan year to add to prefunding balance		485610956
d	Portion of (c) to be added to prefunding balance		485610956
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	3839033869

Part III Funding Percentages			
14	Funding target attainment percentage	14	91.10 %
15	Adjusted funding target attainment percentage	15	105.30 %
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	92.09 %
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
			Totals ►	18(b)	0
				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 0
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
0	0
(3) 3rd	(4) 4th
0	0

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

21 Discount rate:				
a Segment rates:	1st segment: 4.72 %	2nd segment: 6.11 %	3rd segment: 6.81 %	☐ 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	779050106	
b Excess assets, if applicable, but not greater than line 31a	31b	0	
32 Amortization installments:	Outstanding Balance	Installment	
a Net shortfall amortization installment	2405875682	668423402	
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	1447473508	
	Carryover balance	Prefunding balance	Total balance
35 Balances elected for use to offset funding requirement.....	0	1447473508	1447473508
36 Additional cash requirement (line 34 minus line 35)	36	0	
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c)	37	0	
38 Present value of excess contributions for current year (see instructions)			
a Total (excess, if any, of line 37 over line 36)	38a	0	
b Portion included in line 38a attributable to use of prefunding and funding standard carryover balances	38b	0	
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
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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

SCHEDULE H (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>	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.	<small>OMB No. 1210-0110</small> 2015 This Form is Open to Public Inspection
For calendar plan year 2015 or fiscal plan year beginning <u>01/01/2015</u> and ending <u>12/31/2015</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		(a) Beginning of Year	(b) End of Year
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	Total noninterest-bearing cash	1a		
b	Receivables (less allowance for doubtful accounts):			
	(1) Employer contributions	1b(1)		
	(2) Participant contributions	1b(2)		
	(3) Other.....	1b(3)	0	289649
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)	29190479162	27188416743
	(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	29190479162	27188706392

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h	23611566	19239355
i Acquisition indebtedness	1i		
j Other liabilities	1j		
k Total liabilities (add all amounts in lines 1g through 1j)	1k	23611566	19239355

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	29166867596	27169467037
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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) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)		
(B) Participants	2a(1)(B)		
(C) Others (including rollovers)	2a(1)(C)	133829978	
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		133829978
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)		
(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)		-445791399
(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		-311961421

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	1666388699	
(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)		1666388699
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)	233537	
(2) Contract administrator fees	2i(2)	2151026	
(3) Investment advisory and management fees	2i(3)	16854792	
(4) Other	2i(4)		
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		19239355
j Total expenses. Add all expense amounts in column (b) and enter total	2j		1685628054

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		-1997589475
l Transfers of assets:			
(1) To this plan	2l(1)		392876
(2) From this plan	2l(2)		203960

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:

	Yes	No	N/A	Amount
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.)		X		
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.)		X		

	Yes	No	N/A	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.				
o Did the plan trust incur unrelated business taxable income?				
p Were in-service distributions made during the plan year?				

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

6a Name of trust

6b Trust's EIN

6c Name of trustee or custodian

6d Trustee's or custodian's telephone number

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 2015 This Form is Open to Public Inspection.
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For calendar plan year 2015 or fiscal plan year beginning 01/01/2015 and ending 12/31/2015

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>1894</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
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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

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

Schedule R (Form 5500) 2015
v. 150123

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
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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: <u>51.0</u> % Investment-Grade Debt: <u>22.0</u> % High-Yield Debt: <u>4.0</u> % Real Estate: <u>1.0</u> % Other: <u>22.0</u> %
	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):

Part VII	IRS Compliance Questions
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20a Is the plan a 401(k) plan?	☐ Yes	☐ No
20b If "Yes," how does the 401(k) plan satisfy the nondiscrimination requirements for employee deferrals and employer matching contributions (as applicable) under sections 401(k)(3) and 401(m)(2)?	☐ Design-based safe harbor method	☐ ADP/ACP test
20c If the ADP/ACP test is used, did the 401(k) plan perform ADP/ACP testing for the plan year using the "current year testing method" for nonhighly compensated employees (Treas. Reg sections 1.401(k)-2(a)(2)(ii) and 1.401(m)-2(a)(2)(ii))?	☐ Yes	☐ No
21a Check the box to indicate the method used by the plan to satisfy the coverage requirements under section 410(b):	☐ Ratio percentage test	☐ Average benefit test
21b Does the plan satisfy the coverage and nondiscrimination tests of sections 410(b) and 401(a)(4) by combining this plan with any other plans under the permissive aggregation rules?	☐ Yes	☐ No
22a Has the plan been timely amended for all required tax law changes?	☐ Yes	☐ No ☐ N/A
22b Date the last plan amendment/restatement for the required tax law changes was adopted ____/____/____. Enter the applicable code _____. (See instructions for tax law changes and codes).		
22c If the plan sponsor is an adopter of a pre-approved master and prototype (M&P) or volume submitter plan that is subject to a favorable IRS opinion or advisory letter, enter the date of that favorable letter ____/____/____ and the letter's serial number _____.		
22d If the plan is an individually-designed plan and received a favorable determination letter from the IRS, enter the date of the plan's last favorable determination letter ____/____/____.		
23 Is the Plan maintained in a U.S. territory (i.e., Puerto Rico (if no election under ERISA section 1022(i)(2) has been made), American Samoa, Guam, the Commonwealth of the Northern Mariana Islands or the U.S. Virgin Islands)?	☐ Yes	☐ No

LOCKHEED MARTIN CORPORATION SALARIED EMPLOYEE
RETIREMENT PROGRAM

Financial Statements as of December 31, 2015 and 2014,
and for the Year Ended December 31, 2015, with Independent Auditor's Report

Lockheed Martin Corporation Salaried Employee Retirement Program

Financial Statements

Year Ended December 31, 2015

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INDEPENDENT AUDITOR'S REPORT

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, 2015 and 2014, and the related statement of changes in net assets available for benefits for the year ended December 31, 2015, 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 accounting principles generally accepted in the United States of America; 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 of America. 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 (DOL) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 (ERISA), the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the investment information summarized in Note 4, which was certified by the Northern Trust Company, the trustee of the Plan, except for comparing such information with the related information included in the financial statements. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and

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executes investment transactions. The plan administrator has obtained certifications from the trustee as of December 31, 2015 and 2014, and for the year ended December 31, 2015, stating that the investment information provided to the plan administrator by the trustee 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 of America 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 10, 2016

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

	December 31,	
	2015	2014
Assets		
Investments:		
Interest in Master Trust	\$ 26,269,814	\$ 28,391,367
Net assets held in Master Trust related to 401(h) account	918,322	799,113
Total assets	<u>27,188,136</u>	<u>29,190,480</u>
Liabilities		
Amounts related to obligation of 401(h) account	918,322	799,113
Accrued expenses	18,670	23,612
Total liabilities	<u>936,992</u>	<u>822,725</u>
Net assets available for benefits	<u>\$ 26,251,144</u>	<u>\$ 28,367,755</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, 2015
Net assets available for benefits at beginning of year	\$ 28,367,755
Deductions from net assets:	
Interest in net investment loss of Master Trust	106,615
Benefit payments	1,666,389
Administrative expenses	343,796
Total deductions	2,116,800
Change in net assets	(2,116,800)
Net transfers to this plan	189
Net assets available for benefits at end of year	\$ 26,251,144

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.

The assets of the Plan 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, 2015 and 2014, including interest at rates provided under the Plan and Section 411(c) of the Internal Revenue Code (IRC), were \$60,452,000 and \$66,153,000, respectively. Interest rates used ranged from 2.10% to 2.24% in 2015 and 2.10% to 2.33% in 2014.

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 and the Health Reimbursement Arrangement for Certain Medicare Eligible Retirees of Lockheed Martin Corporation. The Plan's 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 under the Lockheed Martin Corporation Group Insurance Plan for Retired Employees and the Health Reimbursement Arrangement for Certain Medicare Eligible Retirees of Lockheed Martin Corporation 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. Certain amounts in the prior year have been reclassified to conform to the current year presentation.

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.

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

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 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. The U. S. Department of Labor is currently auditing the Plan. The audit is focused on the process for locating terminated vested participants over the age of 65 that have not commenced their benefit payments. Currently, we are unable to predict the outcome of this audit and cannot estimate a reasonably possible loss or range of loss.

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 (loss) 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 a new standard 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 standard will require entities to disclose the fair values of such investments as a reconciling item between the Statements of Net Assets Available for Benefits 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 standard is effective for the Plan beginning on January 1, 2016, with early adoption permitted. The Plan adopted the standard on January 1, 2016 and will apply the provisions of the standard in the financial statements for plan year 2016. The standard only impacts the presentation of information disclosed in the notes to the financial statements and will not impact the Statements of Net Assets Available for Benefits or the Statement of Changes in Net Assets Available for Benefits.

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

In July 2015, the FASB issued a new three-part standard that simplifies employee benefit plan reporting. Part I of the standard eliminates the requirement to measure and present fully benefit-responsive investment contracts at fair value within the statements of net assets available for benefits and related disclosures and also eliminates the requirement to reconcile contract value to fair value, when these measures differ. Part II of the standard simplifies plan investment disclosures and Part III provides for a measurement-date practical expedient. Parts I and III of the standard are not applicable as the Plan has no investments in fully benefit-responsive investment contracts and the Plan's year end coincides with the end of the reporting period on which investments are measured. The standard is effective for the Plan beginning on January 1, 2016. Plans may early adopt any of the three parts of the standard without adopting the other parts. The Plan adopted Part II of the standard on January 1, 2016 and will apply the provisions of Part II of the standard in the financial statements for plan year 2016. Part II of the standard only impacts the presentation of information disclosed in the notes to the financial statements and will not impact the Statements of Net Assets Available for Benefits or the Statement of Changes in Net Assets Available for Benefits.

Subsequent Events

The Plan has evaluated subsequent events through October 10, 2016, the date the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2015 that required recognition or disclosure in these financial statements, other than as described in Note 1.

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,	
	2015	2014
Vested benefits:		
Participants currently receiving payments	\$17,761,258	\$ 17,937,028
Participants not currently receiving payments	17,531,458	18,471,638
Total vested benefits	35,292,716	36,408,666
Nonvested benefits	1,157,521	1,308,330
Total actuarial present value of accumulated plan benefits	\$ 36,450,237	\$ 37,716,996

The significant actuarial assumptions used in the valuations were (a) life expectancy of participants (RP-2014 Total Dataset Adjusted to 2006 with Scale MP-2015 for 2015 and RP-2014 Total Dataset with Scale MP-2014 for 2014), (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 4.375% and 4.00% for 2015 and 2014, 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.

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

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

	Year Ended December 31, 2015
Actuarial present value of accumulated plan benefits at beginning of year	\$ 37,716,996
Increase (decrease) during the year attributable to:	
Increase for interest due to the decrease in the discount period	1,518,635
Benefits paid	(1,666,389)
Benefits accumulated	1,363,201
Changes in actuarial assumptions	(2,482,206)
Net decrease	(1,266,759)
Actuarial present value of accumulated plan benefits at end of year	\$ 36,450,237

The changes in actuarial assumptions reflect the increase in the discount rate and change in mortality that resulted in a decrease to the actuarial present value of accumulated plan benefits of \$1,787,505,000 and \$694,701,000, 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 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, excluding assets of the 401(h) account, as of December 31, 2015 and 2014 was approximately 81.71% and 81.75%, 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.

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, 2015 and 2014, and net appreciation (depreciation) in fair value of investments, interest income, and dividend income for the year ended December 31, 2015, 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):

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

	December 31,	
	2015	2014
Assets		
Cash and cash equivalents	\$ 2,068,373	\$ 1,618,766
Equity:		
U.S. equity securities	617,144	660,513
International equity securities	193,164	168,512
Commingled equity funds.....	107,621	100,840
Fixed income:		
Corporate debt securities	462,087	741,184
U.S. Government securities	197,139	61,011
U.S. Government sponsored entities.....	283,549	—
Other fixed income securities	394,572	396,938
Alternative investments:		
Hedge funds	57,092	66,469
Commodities.....	647	1,074
Total assets	4,381,388	3,815,307
Liabilities		
Payables, net.....	197,355	175,045
Total net assets	\$ 4,184,033	\$ 3,640,262

	Year Ended December 31, 2015
Investment income not certified by the custodian	
Interest and dividend income	\$ 115,558
Net appreciation in fair value of investments.....	48,234

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, 2015 and their appreciation (depreciation) for the year ended December 31, 2015 (in thousands):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Appreciation (Depreciation)</u>
Cash and cash equivalents	\$ 2,288,428	\$ —	\$ —	\$ 2,288,428	\$ 71,293
Equity:					
U.S. equity securities.....	4,837,114	7,509	32	4,844,655	(135,406)
International equity securities	5,815,348	23,773	9,653	5,848,774	(377,301)
Commingled equity funds	581,067	1,296,492	—	1,877,559	(274,655)
Fixed income:					
Corporate debt securities.....	—	3,918,049	15,034	3,933,083	(328,120)
U.S. Government securities.....	—	5,098,831	—	5,098,831	(91,709)
U.S. Government-sponsored enterprise securities.....	—	1,656,919	—	1,656,919	3,687
Other fixed income securities.....	22,930	2,696,137	5,685	2,724,752	266,618
Alternative investments:					
Private equity funds.....	—	—	3,133,062	3,133,062	60,900
Real estate funds	—	93,372	1,017,962	1,111,334	116,734
Hedge funds	—	167,380	349,537	516,917	14,130
Commodities	910	(455)	—	455	(219,113)
Total investment assets at fair value	<u>\$ 13,545,797</u>	<u>\$ 14,958,007</u>	<u>\$ 4,530,965</u>	<u>\$ 33,034,769</u>	<u>\$ (892,942)</u>
Receivables, net				<u>33,722</u>	
Total net assets				<u>\$ 33,068,491</u>	

Interest and dividend income earned by the Master Trust for the year ended December 31, 2015 was \$255,404,000 and \$262,878,000, respectively. Other income for the year ended December 31, 2015 was \$209,235,000.

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 (in thousands):

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 2,548,614	\$ —	\$ —	\$ 2,548,614
Equity:				
U.S. equity securities	6,200,339	67,425	164	6,267,928
International equity securities	5,370,359	30,665	10,261	5,411,285
Commingled equity funds	1,947,257	4,044,645	—	5,991,902
Fixed income:				
Corporate debt securities.....	—	4,111,804	45,684	4,157,488
U.S. Government securities.....	—	4,575,221	—	4,575,221
U.S. Government-sponsored enterprise securities.....	—	617,920	—	617,920
Other fixed income securities.....	39,585	1,574,254	8,371	1,622,210
Alternative investments:				
Private equity funds	—	—	2,971,147	2,971,147
Real estate funds	—	33,929	725,820	759,749
Hedge funds	—	66,469	499,155	565,624
Commodities	1,726	359	—	2,085
Total investment assets at fair value	<u>\$ 16,107,880</u>	<u>\$ 15,122,691</u>	<u>\$ 4,260,602</u>	<u>\$ 35,491,173</u>
Receivables, net				<u>36,782</u>
Total net assets				<u><u>\$ 35,527,955</u></u>

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

The following table presents the changes in the fair value of Master Trust's Level 3 assets for the year ended December 31, 2015 (in thousands):

	Balance, beginning of year	Realized gains/ (losses)	Unrealized gains/ (losses)	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Balance, end of year
Equity:										
U.S. equity securities	164	(1,600)	55	—	—	1,548	(135)	—	—	32
International equity securities	10,261	112	(5,376)	—	(650)	897	(980)	5,389	—	9,653
Fixed income:										
Corporate debt securities	45,684	(9,130)	7,842	6,056	(18,629)	—	(7,698)	—	(9,091)	15,034
Other fixed income securities	8,371	(324)	167	88	(2,144)	—	(473)	—	—	5,685
Alternative investments:										
Private equity funds	2,971,147	315,914	(244,139)	645,127	(270,271)	167	(284,883)	—	—	3,133,062
Real estate funds.....	725,820	84,279	25,061	448,981	(182,817)	—	(83,362)	—	—	1,017,962
Hedge funds.	499,155	21,399	(2,393)	161,736	(337,366)	—	117,294	—	(110,288)	349,537
Total	<u>\$ 4,260,602</u>	<u>\$ 410,650</u>	<u>\$ (218,783)</u>	<u>\$1,261,988</u>	<u>\$ (811,877)</u>	<u>\$ 2,612</u>	<u>\$ (260,237)</u>	<u>\$ 5,389</u>	<u>\$ (119,379)</u>	<u>\$4,530,965</u>

International equity in the amounts of \$5,389,000 was reclassified as Level 3 securities in 2015. Corporate debt securities and hedge funds in the amounts of \$(9,091,000) and \$(110,288,000), 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.

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

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

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 private equity 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, 2015 and 2014 totaled \$1,837,939,000 and \$2,540,563,000, 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 real estate 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.

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.

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

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, 2015 and 2014, 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).

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

The notional amounts and fair values of derivative instruments as of December 31, 2015 and 2014 are presented below (in thousands):

	<u>December 31, 2015</u>		<u>December 31, 2014</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)	\$ 394,635	\$ —	\$ 567,289	\$ —
Futures Contracts (Short)	(185,521)	—	(111,729)	—
Equity Options (Long)	499,587	16,429	811,957	11,508
Equity Options (Short)	(500,197)	(2,838)	(664,790)	(7,027)
Forward Contracts	—	—	—	(17)
Swaps	791,626	(15,381)	3,757,626	16,579
Fixed Income Securities				
Futures Contracts (Long)	3,287,953	—	1,352,002	—
Futures Contracts (Short)	(7,395,833)	—	(1,213,994)	—
Fixed Income Options (Long)	4,510,759	34,173	1,273,758	9,597
Fixed Income Options (Short)	(4,308,193)	(23,886)	(1,760,358)	(14,451)
Swaps	3,099,172	91,670	814,083	20,629
Commodities				
Futures Contracts (Long)	255,631	—	1,703,583	—
Futures Contracts (Short)	(327,026)	—	(72,576)	—
Commodity Options (Long)	92,327	803	254,445	1,842
Commodity Options (Short)	(43,383)	(156)	(92,392)	(461)
Forward Contracts	—	—	8,194	(167)
Swaps	13,973	(455)	10,501	(148)
Foreign Exchange				
Futures Contracts (Long)	631,703	—	157,253	—
Futures Contracts (Short)	(109,246)	—	(188,991)	—
FX Options (Long)	370,963	5,486	(109,138)	4,170
FX Options (Short)	(504,100)	(2,506)	(2,258,129)	(3,860)
Forward Contracts	3,167,172	(690)	485,715	6,207
Swaps	(1,352,705)	118,268	(519,853)	2
Total	<u>\$ 2,389,297</u>	<u>\$ 220,917</u>	<u>\$ 4,204,456</u>	<u>\$ 44,403</u>

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

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, 2015, 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	\$ 20,007	\$ 15,432	\$ 4,575	\$ —	\$ 4,575
Exchange Traded Commodities	803	44	759	—	759
Exchange Traded Equities	14,598	1,763	12,835	—	12,835
Exchange Traded Foreign Exchange	524	4	520	—	520
Exchange Traded Interest Rate / Credit	959	437	522	—	522
OTC Commodities	32	32	—	—	—
OTC Equities	1,870	57	1,813	—	1,813
OTC Foreign Exchange	196,984	28,696	168,288	144,826	23,462
OTC Interest Rate / Credit	192,509	62,786	129,723	16,891	112,832
Total Derivatives	\$ 428,286	\$ 109,251	\$ 319,035	\$ 161,717	\$ 157,318

Repurchase Agreements	1,776,513	19,483	1,757,030	1,620,255	136,775
Securities on Loan	689,849	—	689,849	689,849	—

<u>Derivative Liabilities</u>	<u>Gross Recognized Liabilities</u>	<u>Gross Amounts Offset</u>	<u>Net Amounts Presented</u>	<u>Net Collateral Pledged</u>	<u>Net Exposure</u>
Exchange Cleared Interest Rate / Credit	\$ 19,294	\$ 15,432	\$ 3,862	\$ 1,096	\$ 2,766
Exchange Traded Commodities	156	44	112	—	112
Exchange Traded Equities	2,501	1,763	738	—	738
Exchange Traded Foreign Exchange	294	4	290	—	290
Exchange Traded Interest Rate / Credit	686	437	249	—	249
OTC Commodities	488	32	456	329	127
OTC Equities	15,757	57	15,700	6,130	9,570
OTC Foreign Exchange	76,656	28,696	47,960	26,131	21,829
OTC Interest Rate / Credit	91,538	62,786	28,752	7,251	21,501
Total Derivatives	\$ 207,370	\$ 109,251	\$ 98,119	\$ 40,937	\$ 57,182

Repurchase Agreements	25,968	19,483	6,485	549	5,936
Securities on Loan	—	—	—	—	—

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

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
Total Derivatives	\$ 190,683	\$ 82,085	\$ 108,598	\$ 11,740	\$ 96,858

Repurchase Agreements	575,952	19,505	556,447	449,872	106,575
Securities on Loan	579,057	—	579,057	579,057	—

<u>Derivative Liabilities</u>	<u>Gross Recognized Liabilities</u>	<u>Gross Amounts Offset</u>	<u>Net Amounts Presented</u>	<u>Net Collateral Pledged</u>	<u>Net Exposure</u>
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	—	—	—	—	—

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.

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

At December 31, 2015 and 2014, the fair value of securities on loan was \$690,000,000 and \$579,000,000, the fair value of securities borrowed was \$1,328,000,000 and \$1,366,000,000, and the fair value for reverse repurchase agreements was \$181,000,000 and \$420,000,000. Collateral pledged for securities on loan is not held in the Master Trust, and cannot be sold, repledged, or traded.

Securities lending and borrowing and reverse repurchase agreement income earned by the Master Trust is recorded on an accrual basis and was approximately \$7,000,000 and \$1,000,000 for the year ended December 31, 2015.

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, 2015, 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 tax audits are in progress. The Plan Administrator believes the Plan is no longer subject to income tax examinations for years prior to 2012.

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

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, 2015			
	Amounts per	401(h)	Amounts per Form
	Financial Statements	Account	5500
Assets			
Interest in Master Trust	\$ 26,269,814	\$ 918,602	\$ 27,188,416
Employee contribution receivable	—	289	289
Net assets held in Master Trust related to 401(h) account	918,322	(918,322)	—
	<u>\$ 27,188,136</u>	<u>\$ 569</u>	<u>\$ 27,188,705</u>
Liabilities			
Amounts related to obligation of 401(h) account	918,322	(918,322)	—
Accrued expenses	18,670	569	19,239
	<u>936,992</u>	<u>(917,753)</u>	<u>19,239</u>
Net assets available for benefits	<u>\$ 26,251,144</u>	<u>\$ 918,322</u>	<u>\$ 27,169,466</u>

December 31, 2014			
	Amounts per	401(h)	Amounts per
	Financial Statements	Account	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>

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, 2015, per the financial statements to the Form 5500 (in thousands):

December 31, 2015			
	Amounts per Financial Statements	401(h) Account	Amounts per Form 5500
Interest in net investment loss of Master Trust...	\$ —	\$ (6,313)	\$ (6,313)
Employer contributions	—	34,207	34,207
Employee contributions	—	87,539	87,539
Benefit payment credits	—	11,795	11,795
Administrative expenses	—	(7,738)	(7,738)
Change in net assets of 401(h) account	\$ —	\$ 119,490	\$ 119,490

	Amounts per Financial Statements	Difference	Amounts per Form 5500
Interest in net investment loss of Master Trust...	\$ (106,615)	\$ 339,177	\$ (445,792)
Change in net assets of 401(h) account less contributions and benefit payment credits	—	14,051	(14,051)
Accrued administrative expenses in 401(h) account	—	569	569
Administrative expenses	(343,796)	324,557	(19,239)

Differences in the Plan's interest in the net investment loss 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, except for contributions and benefit payment credits, which are included in the net investment loss in the Master Trust for Form 5500 reporting purposes.

Lockheed Martin Corporation
Salaried Employee Retirement Program
52-1893632/001
1/1/2015
Line 26 - Schedule of Active Participant Data

Number of Active Participants as of January 1, 2015 – 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	2										2
25 to 29	11	42	19	14							86
		66,683									66,683
30 to 34	43	176	797	1,423	2						2,441
	74,661	84,068	98,678	107,491							102,343
35 to 39	22	102	466	2,869	668						4,127
	87,008	92,126	102,727	112,763	126,810						113,256
40 to 44	12	73	373	1,660	1,401	174	2				3,695
		89,309	103,901	114,110	129,333	147,638					119,817
45 to 49	19	65	354	1,509	1,392	785	491	28			4,643
		81,454	106,943	117,436	129,067	143,494	145,103	118,258			126,825
50 to 54	29	71	492	2,323	1,839	1,422	3,080	1,503	38		10,797
	106,103	86,575	104,429	121,232	132,083	139,385	149,992	149,956	84,476		136,510
55 to 59	24	34	364	1,805	1,524	974	2,362	3,088	720	26	10,921
	118,350	93,377	109,863	117,760	125,711	136,005	140,803	148,566	137,119	92,691	135,070
60 to 64	12	15	142	823	719	436	892	1,187	597	152	4,975
			110,258	112,899	124,164	123,102	129,870	136,337	139,095	125,815	127,434
65 to 69	2	5	46	274	221	127	276	272	145	106	1,474
			97,377	115,830	122,759	120,700	125,315	128,236	132,816	132,228	123,435
70 & up	3	2	4	24	25	14	25	24	8	14	143
				132,051	112,761		134,577	137,534			124,235
Total	179	585	3,057	12,724	7,791	3,932	7,128	6,102	1,508	298	43,304
	89,560	85,360	103,439	115,219	128,286	137,230	143,083	145,441	135,921	126,446	127,871

Below are the actuarial assumptions as of January 1, 2015.

Discount Rate:	<u>With HATFA</u>	<u>Without HATFA</u>
Effective Rate	6.27%	4.35%
First Segment – First 5 Years	4.72%	1.15%
Second Segment – Next 15 Years	6.11%	4.06%
Third Segment – After 20 Years	6.81%	5.15%

Mortality: The IRS 2015 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: \$71,105,663.

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	10.0%
21	10.0%
22	10.0%
23	10.0%
24	10.0%
25	10.0%
26	10.0%
27	10.0%
28	10.0%
29	9.0%
30	8.0%
31	7.0%
32	6.0%
33	5.5%
34	5.0%
35	4.5%
36	4.2%
37	4.0%
38	3.8%
39	3.6%
40	3.4%
41	3.2%
42	3.0%
43	2.8%
44	2.6%
45	2.5%
46	2.5%
47	2.5%
48	2.5%
49	2.5%
50	2.5%
51	2.5%
52	2.5%
53	2.5%
54	2.5%
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%

Under the Actuarial Methods described below, if all current assumptions remain constant and are realized, funding at least the Minimum Required Contribution each year will eventually accumulate sufficient plan assets to cover the Funding Target. Future widening of the HATFA interest rate corridor may extend the time period for the plan to become fully funded.

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.

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 2015 This Form is Open to Public Inspection																				
For calendar plan year 2015 or fiscal plan year beginning <u>01/01/2015</u> and ending <u>12/31/2015</u>																						
▶ 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 LMC Salaried Employee Retirement Program		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 Lockheed Martin Corporation		D Employer Identification Number (EIN) 52-1893632																				
E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B ☐ Other F Prior year plan size: ☐ 100 or fewer ☐ 101-500 ☒ More than 500																						
Part I Basic Information																						
1 Enter the valuation date: Month <u>1</u> Day <u>1</u> Year <u>2015</u>																						
2 Assets: <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">a Market value.....</td> <td style="width: 10%; text-align: center;">2a</td> <td style="width: 20%; text-align: right;">28,327,192,420</td> </tr> <tr> <td>b Actuarial value.....</td> <td style="text-align: center;">2b</td> <td style="text-align: right;">28,465,469,526</td> </tr> </table>			a Market value.....	2a	28,327,192,420	b Actuarial value.....	2b	28,465,469,526														
a Market value.....	2a	28,327,192,420																				
b Actuarial value.....	2b	28,465,469,526																				
3 Funding target/participant count breakdown <table style="width: 100%; border-collapse: collapse;"> <tr> <th style="width: 55%;"></th> <th style="width: 15%; text-align: center;">(1) Number of participants</th> <th style="width: 15%; text-align: center;">(2) Vested Funding Target</th> <th style="width: 15%; text-align: center;">(3) Total Funding Target</th> </tr> <tr> <td>a For retired participants and beneficiaries receiving payment.....</td> <td style="text-align: right;">104,363</td> <td style="text-align: right;">15,392,761,886</td> <td style="text-align: right;">15,392,761,886</td> </tr> <tr> <td>b For terminated vested participants.....</td> <td style="text-align: right;">47,405</td> <td style="text-align: right;">2,081,977,525</td> <td style="text-align: right;">2,081,977,525</td> </tr> <tr> <td>c For active participants.....</td> <td style="text-align: right;">43,304</td> <td style="text-align: right;">8,766,276,074</td> <td style="text-align: right;">9,557,571,928</td> </tr> <tr> <td>d Total.....</td> <td style="text-align: right;">195,072</td> <td style="text-align: right;">26,241,015,485</td> <td style="text-align: right;">27,032,311,339</td> </tr> </table>				(1) Number of participants	(2) Vested Funding Target	(3) Total Funding Target	a For retired participants and beneficiaries receiving payment.....	104,363	15,392,761,886	15,392,761,886	b For terminated vested participants.....	47,405	2,081,977,525	2,081,977,525	c For active participants.....	43,304	8,766,276,074	9,557,571,928	d Total.....	195,072	26,241,015,485	27,032,311,339
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d Total.....	195,072	26,241,015,485	27,032,311,339																			
4 If the plan is in at-risk status, check the box and complete lines (a) and (b) ☐ <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">a Funding target disregarding prescribed at-risk assumptions.....</td> <td style="width: 10%; text-align: center;">4a</td> <td style="width: 20%;"></td> </tr> <tr> <td>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.....</td> <td style="text-align: center;">4b</td> <td></td> </tr> </table>			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															
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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..... <u>6.27 %</u>																						
6 Target normal cost..... <u>779,050,106</u>																						
Statement by Enrolled Actuary <small>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.</small>																						
SIGN HERE	Jeffrey K. Martin <i>JKM</i> Signature of actuary Jeffrey K. Martin, F.S.A., E.A. Type or print name of actuary PRIAC Firm name 280 Trumbull Street Hartford CT 06103-2975 Address of the firm	<u>9/19/2016</u> Date <u>14-04379</u> Most recent enrollment number <u>(860) 534-2435</u> Telephone number (including area code)																				

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) 2015
v. 150123

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	3,937,798,704
8 Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	0	789,635,999
9 Amount remaining (line 7 minus line 8)	0	3,148,162,705
10 Interest on line 9 using prior year's actual return of <u>6.52</u> %	0	205260208
11 Prior year's excess contributions to be added to prefunding balance:		
a Present value of excess contributions (line 38a from prior year)		455887116
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>6.47</u> %		0
b(2) Interest on line 38b from prior year Schedule SB, using prior year's actual return		29,723,840
c Total available at beginning of current plan year to add to prefunding balance		485610956
d Portion of (c) to be added to prefunding balance		485610956
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	3839033869

Part III Funding Percentages

14 Funding target attainment percentage	14	91.10 %
15 Adjusted funding target attainment percentage	15	105.30 %
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	92.09 %
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
Totals ▶			18(b)	0	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 0
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

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

21 Discount rate:				
a Segment rates:	1st segment: 4.72 %	2nd segment: 6.11 %	3rd segment: 6.81 %	☐ 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	779,050,106										
b Excess assets, if applicable, but not greater than line 31a	31b	0										
32 Amortization installments:	<table border="1"> <thead> <tr> <th></th> <th>Outstanding Balance</th> <th>Installment</th> </tr> </thead> <tbody> <tr> <td>a Net shortfall amortization installment</td> <td>2,405,875,682</td> <td>668,423,402</td> </tr> <tr> <td>b Waiver amortization installment</td> <td>0</td> <td>0</td> </tr> </tbody> </table>				Outstanding Balance	Installment	a Net shortfall amortization installment	2,405,875,682	668,423,402	b Waiver amortization installment	0	0
	Outstanding Balance	Installment										
a Net shortfall amortization installment	2,405,875,682	668,423,402										
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	1,447,473,508										
		Carryover balance	Prefunding balance									
35 Balances elected for use to offset funding requirement.....		0	1,447,473,508									
36 Additional cash requirement (line 34 minus line 35)	36	0										
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c)	37	0										
38 Present value of excess contributions for current year (see instructions)												
a Total (excess, if any, of line 37 over line 36)	38a	0										
b Portion included in line 38a attributable to use of prefunding and funding standard carryover balances	38b	0										
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
1/1/2015

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

Below are the actuarial assumptions as of January 1, 2015.

Discount Rate:	<u>With HATFA</u>	<u>Without HATFA</u>
Effective Rate	6.27%	4.35%
First Segment – First 5 Years	4.72%	1.15%
Second Segment – Next 15 Years	6.11%	4.06%
Third Segment – After 20 Years	6.81%	5.15%

Mortality: The IRS 2015 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: \$71,105,663.

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	10.0%
21	10.0%
22	10.0%
23	10.0%
24	10.0%
25	10.0%
26	10.0%
27	10.0%
28	10.0%
29	9.0%
30	8.0%
31	7.0%
32	6.0%
33	5.5%
34	5.0%
35	4.5%
36	4.2%
37	4.0%
38	3.8%
39	3.6%
40	3.4%
41	3.2%
42	3.0%
43	2.8%
44	2.6%
45	2.5%
46	2.5%
47	2.5%
48	2.5%
49	2.5%
50	2.5%
51	2.5%
52	2.5%
53	2.5%
54	2.5%
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%

Under the Actuarial Methods described below, if all current assumptions remain constant and are realized, funding at least the Minimum Required Contribution each year will eventually accumulate sufficient plan assets to cover the Funding Target. Future widening of the HATFA interest rate corridor may extend the time period for the plan to become fully funded.

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).

Pensionable Earnings are frozen as of December 31, 2015.

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.

Credited Service is frozen as of December 31, 2019.

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

<i>A. Eligibility</i>	Death occurs after attainment of the eligibility age for early retirement.
<i>Benefit Formula</i>	100% of the pension benefit accrued to date of death, reduced by appropriate early retirement and joint-and-survivor factors.
<i>B. Eligibility</i>	Death occurs after attainment of eligibility for vesting but prior to eligibility age for early retirement.
<i>Benefit Formula</i>	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.

Plan Freeze

As of December 31, 2015, all future pay is frozen. As of December 31, 2019, all future accruals are frozen.

This applies to all basic plan provisions and all heritage formulas.

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 assumption changes were recognized:

	<u>Prior</u>	<u>Current</u>
Expense Load	\$55,780,924	\$71,105,663
Termination	Age Graded 15.0% to 1.8%	Age Graded 10.0% to 2.5%

The termination assumption was modified to better reflect expected future plan experience. The Expense Load was changed to reflect actual administrative expenses.

Number of Active Participants as of January 1, 2015 – 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	2										2
25 to 29	11	42 66,683	19	14							86 66,842
30 to 34	43 74,661	176 84,068	797 98,678	1,423 107,491	2						2,441 102,343
35 to 39	22 87,008	102 92,126	466 102,727	2,869 112,763	668 126,810						4,127 113,256
40 to 44	12	73 89,309	373 103,901	1,660 114,110	1,401 129,333	174 147,638	2				3,695 119,817
45 to 49	19	65 81,454	354 106,943	1,509 117,436	1,392 129,067	785 143,494	491 145,103	28 118,258			4,643 126,825
50 to 54	29 106,103	71 86,575	492 104,429	2,323 121,232	1,839 132,083	1,422 139,385	3,080 149,992	1,503 149,956	38 84,476		10,797 136,510
55 to 59	24 118,350	34 93,377	364 109,863	1,805 117,760	1,524 125,711	974 136,005	2,362 140,803	3,088 148,566	720 137,119	26 92,691	10,921 135,070
60 to 64	12	15	142 110,258	823 112,899	719 124,164	436 123,102	892 129,870	1,187 136,337	597 139,095	152 125,815	4,975 127,434
65 to 69	2	5	46 97,377	274 115,830	221 122,759	127 120,700	276 125,315	272 128,236	145 132,816	106 132,228	1,474 123,435
70 & up	3	2	4	24 132,051	25 112,761	14	25 134,577	24 137,534	8	14	143 124,235
Total	179 89,560	585 85,360	3,057 103,439	12,724 115,219	7,791 128,286	3,932 137,230	7,128 143,083	6,102 145,441	1,508 135,921	298 126,446	43,304 127,871

SB Actuary Signature
Lockheed Martin Corporation
Salaried Employee Retirement Program
52-1893632/001
1/1/2015
Line 32 - Schedule of Amortization Bases

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>
2014	\$132,771,912	6	\$705,354,613
2013	92,077,167	5	420,713,091
2012	(474,565,257)	4	(1,773,734,694)
2011	784,202,206	3	2,248,161,717
2010	0	n/a	0
2009	0	n/a	0
 Total	 \$534,486,028		 \$1,600,494,727

Current Year Amortization

1. Exemption from Current Year Amortization	No
2. Funding Shortfall to be Amortized	\$2,405,875,682
3. Present Value of Prior Year Amortization Installments	1,600,494,727
4. Current Year Amortization Base [2 – 3]	805,380,955
5. Current Year Amortization Installment	\$133,937,374

Net Shortfall Amortization Installment

6. Current Year Amortization Installment	\$133,937,374
7. Sum of Prior Year Amortization Installments	534,486,028
8. Net Shortfall Amortization Installment [6 + 7, not less than \$0]	\$668,423,402

Lockheed Martin Corporation
Salaried Employee Retirement Program
52-1893632/001
1/1/2015
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

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).

Pensionable Earnings are frozen as of December 31, 2015.

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.

Credited Service is frozen as of December 31, 2019.

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.

Plan Freeze

As of December 31, 2015, all future pay is frozen. As of December 31, 2019, all future accruals are frozen.

This applies to all basic plan provisions and all heritage formulas.

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.

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>
2014	\$132,771,912	6	\$705,354,613
2013	92,077,167	5	420,713,091
2012	(474,565,257)	4	(1,773,734,694)
2011	784,202,206	3	2,248,161,717
2010	0	n/a	0
2009	0	n/a	0
 Total	 \$534,486,028		 \$1,600,494,727

Current Year Amortization

1. Exemption from Current Year Amortization	No
2. Funding Shortfall to be Amortized	\$2,405,875,682
3. Present Value of Prior Year Amortization Installments	1,600,494,727
4. Current Year Amortization Base [2 – 3]	805,380,955
5. Current Year Amortization Installment	\$133,937,374

Net Shortfall Amortization Installment

6. Current Year Amortization Installment	\$133,937,374
7. Sum of Prior Year Amortization Installments	534,486,028
8. Net Shortfall Amortization Installment [6 + 7, not less than \$0]	\$668,423,402

Changes in Actuarial Assumptions

Effective with this valuation, the following non-prescribed assumption changes were recognized:

	<u>Prior</u>	<u>Current</u>
Expense Load	\$55,780,924	\$71,105,663
Termination	Age Graded	Age Graded
	15.0% to 1.8%	10.0% to 2.5%

The termination assumption was modified to better reflect expected future plan experience. The Expense Load was changed to reflect actual administrative expenses.