

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 6057(b) and 6058(a) of the Internal Revenue Code (the Code). ▶ Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 <div style="text-align: center; font-size: 24pt; font-weight: bold;">2019</div> This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2019 or fiscal plan year beginning <u>01/01/2019</u> and ending <u>12/31/2019</u>	
A	This return/report is for: <div style="display: flex; justify-content: space-between;"> <div> ☐ a multiemployer plan ☒ a single-employer plan </div> <div> ☐ a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions.) ☐ a DFE (specify) ____ </div> </div>
B	This return/report is: <div style="display: flex; justify-content: space-between;"> <div> ☐ the first return/report ☐ an amended return/report </div> <div> ☒ the final return/report ☐ a short plan year return/report (less than 12 months) </div> </div>
C	If the plan is a collectively-bargained plan, check here. ☒
D	Check box if filing under: <div style="display: flex; justify-content: space-between;"> <div> ☒ Form 5558 ☐ special extension (enter description) </div> <div> ☐ automatic extension </div> <div> ☐ the DFVC program </div> </div>

Part II	Basic Plan Information —enter all requested information
1a	Name of plan <u>LOCKHEED MARTIN CERTAIN HERITAGE INACTIVE PLANS</u>
1b	Three-digit plan number (PN) ▶ <u>042</u>
1c	Effective date of plan <u>07/01/1963</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.	10/13/2020	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

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

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3a Plan administrator's name and address ☒ Same as Plan Sponsor	3b Administrator's EIN 3c Administrator's telephone number <div style="background-color: #cccccc; height: 40px; width: 100%;"></div>
4 If the name and/or EIN of the plan sponsor or the plan name has changed since the last return/report filed for this plan, enter the plan sponsor's name, EIN, the plan name and the plan number from the last return/report: a Sponsor's name c Plan Name	4b EIN 4d PN
5 Total number of participants at the beginning of the plan year	5 812
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 a(2) Total number of active participants at the end of the plan year b Retired or separated participants receiving benefits..... c Other retired or separated participants entitled to future benefits d Subtotal. Add lines 6a(2) , 6b , and 6c e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits. f Total. Add lines 6d and 6e g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) h Number of participants who terminated employment during the plan year with accrued benefits that were less than 100% vested	<div style="background-color: #cccccc; height: 20px; width: 100%;"></div> 6a(1) 0 6a(2) 0 6b 0 6c 0 6d 0 6e 0 6f 0 6g 6h 0
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 1B 1I 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) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor
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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)** ☐ 0 **A** (Insurance Information)
- (4)** ☐ **C** (Service Provider Information)
- (5)** ☒ **D** (DFE/Participating Plan Information)
- (6)** ☐ **G** (Financial Transaction Schedules)

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

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

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

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

11c Enter the Receipt Confirmation Code for the 2019 Form M-1 annual report. If the plan was not required to file the 2019 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code _____

SCHEDULE SB (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Single-Employer Defined Benefit Plan Actuarial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500 or 5500-SF.	OMB No. 1210-0110 2019 This Form is Open to Public Inspection
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For calendar plan year 2019 or fiscal plan year beginning 01/01/2019 and ending 12/31/2019

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

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

A Name of plan <u>LOCKHEED MARTIN CERTAIN HERITAGE INACTIVE PLANS</u>	B Three-digit plan number (PN) ▶ <u>042</u>
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF <u>LOCKHEED MARTIN CORPORATION</u>	D Employer Identification Number (EIN) <u>52-1893632</u>
E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B	F Prior year plan size: ☐ 100 or fewer ☐ 101-500 ☒ More than 500

Part I	Basic Information
1 Enter the valuation date: Month <u>01</u> Day <u>01</u> Year <u>2019</u>	
2 Assets:	
a Market value	2a <u>66437617</u>
b Actuarial value	2b <u>66437617</u>
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.....	<u>588</u> <u>14848147</u> <u>14848147</u>
b For terminated vested participants.....	<u>224</u> <u>5065849</u> <u>5065849</u>
c For active participants	<u>0</u> <u>0</u> <u>0</u>
d Total.....	<u>812</u> <u>19913996</u> <u>19913996</u>
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 <u>5.38</u> %
6 Target normal cost.....	6 <u>142568</u>

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 <u>JEFFREY K. MARTIN, F.S.A., E.A.</u>	<u>09/16/2020</u>
Type or print name of actuary <u>PRIAC</u>	Date <u>20-04379</u>
Firm name <u>280 TRUMBULL STREET</u> <u>HARTFORD, CT 06103-2975</u>	Most recent enrollment number <u>860-534-2435</u>
Address of the firm	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, see the Instructions for Form 5500 or 5500-SF.

Schedule SB (Form 5500) 2019
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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)	9843863	615266
8 Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	0	0
9 Amount remaining (line 7 minus line 8)	9843863	615266
10 Interest on line 9 using prior year's actual return of <u>-4.79</u> %	-471521	-29471
11 Prior year's excess contributions to be added to prefunding balance:		
a Present value of excess contributions (line 38a from prior year)		0
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>5.57</u> %		0
b(2) Interest on line 38b from prior year Schedule SB, using prior year's actual return		0
c Total available at beginning of current plan year to add to prefunding balance		0
d Portion of (c) to be added to prefunding balance		0
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)	9372342	585795

Part III Funding Percentages

14 Funding target attainment percentage	14	283.61 %
15 Adjusted funding target attainment percentage	15	333.62 %
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	342.54 %
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

Part V Assumptions Used to Determine Funding Target and Target Normal Cost**21** Discount rate:**a** Segment rates:1st segment:
3.74 %2nd segment:
5.35 %3rd segment:
6.11 %☐ N/A, full yield curve used**b** Applicable month (enter code)**21b**

4

22 Weighted average retirement age**22****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** 142568**b** Excess assets, if applicable, but not greater than line 31a **31b** 142568**32** Amortization installments:**a** Net shortfall amortization installment Outstanding Balance 0 Installment 0**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** 0**35** Balances elected for use to offset funding requirement Carryover balance 0 Prefunding balance 0 Total balance 0**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

SCHEDULE D (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration	DFE/Participating Plan Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ► File as an attachment to Form 5500.	OMB No. 1210-0110
		2019
		This Form is Open to Public Inspection.

For calendar plan year 2019 or fiscal plan year beginning **01/01/2019** and ending **12/31/2019**

A Name of plan LOCKHEED MARTIN CERTAIN HERITAGE INACTIVE PLANS	B Three-digit plan number (PN) ►	042
C Plan or DFE sponsor's name as shown on line 2a of Form 5500 LOCKHEED MARTIN CORPORATION	D Employer Identification Number (EIN) 52-1893632	

Part I	Information on interests in MTIAs, CCTs, PSAs, and 103-12 IEs (to be completed by plans and DFEs) (Complete as many entries as needed to report all interests in DFEs)
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a Name of MTIA, CCT, PSA, or 103-12 IE: **L.M. CORP. MASTER RETIREMENT TRUST**

b Name of sponsor of entity listed in (a): **NORTHERN TRUST**

c EIN-PN 22-3546821-001	d Entity code M	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 79484222
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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)
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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)
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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)
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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)
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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)
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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)
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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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code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)

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

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

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

SCHEDULE H (Form 5500) <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> 2019 This Form is Open to Public Inspection
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For calendar plan year 2019 or fiscal plan year beginning 01/01/2019 and ending 12/31/2019		
A Name of plan LOCKHEED MARTIN CERTAIN HERITAGE INACTIVE PLANS	B Three-digit plan number (PN) ►	042
C Plan sponsor's name as shown on line 2a of Form 5500 LOCKHEED MARTIN CORPORATION	D Employer Identification Number (EIN) 52-1893632	

Part I Asset and Liability Statement			
1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.			
Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions.....	1b(1)		
(2) Participant contributions.....	1b(2)		
(3) Other.....	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit).....	1c(1)		
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other.....	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common.....	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property).....	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans.....	1c(8)		
(9) Value of interest in common/collective trusts	1c(9)		
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)	66437617	79484222
(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	66437617	79484222

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h	67130	0
i Acquisition indebtedness	1i		
j Other liabilities	1j	0	79484222
k Total liabilities (add all amounts in lines 1g through 1j)	1k	67130	79484222

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	66370487	0
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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)		
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		0
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)		14735503
(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		14735503

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	1621768	
(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)		1621768
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)		
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)		
(4) Other	2i(4)		
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		0
j Total expenses. Add all expense amounts in column (b) and enter total	2j		1621768

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		13113735
l Transfers of assets:			
(1) To this plan	2l(1)		
(2) From this plan	2l(2)		79484222

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) ☐ Unmodified (2) ☐ Qualified (3) ☒ Disclaimer (4) ☐ Adverse

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

☒ Yes ☐ No

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

(1) Name: MITCHELL & TITUS, LLP

(2) EIN: 13-2781641

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

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

Part IV Compliance Questions

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

During the plan year:

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

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

	Yes	No	Amount
4a		X	
4b		X	

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

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

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)
LOCKHEED MARTIN CORPORATION SALARIED EMPLOYEE RETIREMENT PROGRAM	52-1893632	001

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
If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year 4226510. (See instructions.)

<div>SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation</div>	<div>Retirement Plan Information</div> <div>This schedule is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code).</div> <div>▶ File as an attachment to Form 5500.</div>	<div>OMB No. 1210-0110</div> <div>2019</div> <div>This Form is Open to Public Inspection.</div>
For calendar plan year 2019 or fiscal plan year beginning 01/01/2019 and ending 12/31/2019		
A Name of plan LOCKHEED MARTIN CERTAIN HERITAGE INACTIVE PLANS		B Three-digit plan number (PN) ▶ 042
C Plan sponsor's name as shown on line 2a of Form 5500 LOCKHEED MARTIN CORPORATION		D Employer Identification Number (EIN) 52-1893632
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 0
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): 22-3810641		
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 2
Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part.)	
4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)? ☐ Yes ☐ No ☒ N/A If the plan is a defined benefit plan, go to line 8.		
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month Day Year If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.		
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived)		6a
b Enter the amount contributed by the employer to the plan for this plan year		6b
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount)		6c
If you completed line 6c, skip lines 8 and 9.		
7 Will the minimum funding amount reported on line 6c be met by the funding deadline? ☐ Yes ☐ No ☐ N/A		
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change? ☐ Yes ☐ No ☒ N/A		
Part III	Amendments	
9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box. ☐ Increase ☐ Decrease ☐ Both ☒ No		
Part IV	ESOPs (see instructions). If this is not a plan described under section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.	
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, see the Instructions for Form 5500.		
Schedule R (Form 5500) 2019 v. 190130		

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

b The plan year immediately preceding the current plan year

c The second preceding plan year

14a**14b****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

b The corresponding number for the second preceding plan year

15a**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

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

16a**16b**

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

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

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

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

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

Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

- 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): _____

- 20 PBGC missed contribution reporting requirements.** If this is a multiemployer plan or a single-employer plan that is not covered by PBGC, skip line 20.

- a** Is the amount of unpaid minimum required contributions for all years from Schedule SB (Form 5500) line 40 greater than zero? ☐ Yes ☒ No

- b** If line 20a is "Yes," has PBGC been notified as required by ERISA sections 4043(c)(5) and/or 303(k)(4)? Check the applicable box:

☐ Yes.

☐ No. Reporting was waived under 29 CFR 4043.25(c)(2) because contributions equal to or exceeding the unpaid minimum required contribution were made by the 30th day after the due date.

☐ No. The 30-day period referenced in 29 CFR 4043.25(c)(2) has not yet ended, and the sponsor intends to make a contribution equal to or exceeding the unpaid minimum required contribution by the 30th day after the due date.

☐ No. Other. Provide explanation _____

LOCKHEED MARTIN CERTAIN HERITAGE INACTIVE PLANS

Financial Statements as of December 31, 2019 and 2018,
and for the Year Ended December 31, 2019 with Independent Auditor's Report

Lockheed Martin Certain Heritage Inactive Plans

Financial Statements

Year Ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Plan Administrator
Lockheed Martin Certain Heritage Inactive Plans

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the Lockheed Martin Certain Heritage Inactive Plans (the Plan), which comprise the statements of net assets available for benefits as of December 31, 2019 and 2018, the related statement of changes in net assets available for benefits for the year ended December 31, 2019, 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 accordance 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 from 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 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 executes investment transactions. The Plan Administrator has obtained a certification from the Trustee as of December 31, 2019 and 2018 and for the year ended December 31, 2019, that the information provided to the Plan Administrator by the Trustee is complete and accurate.

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Disclaimer of Opinion

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 Form and Content in Compliance with DOL Rules and Regulations

The form and content of the information included in the financial statements, other than that derived from the information certified by the Trustee, 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 DOL's Rules and Regulations for Reporting and Disclosure under ERISA.

Mitchell Titus, LLP

October 1, 2020

Lockheed Martin Certain Heritage Inactive Plans
Statements of Net Assets Available for Benefits
(in thousands)

	<u>December 31,</u>	
	2019	2018
Assets		
Investments:		
Interest in Master Trust	\$ 79,484	\$ 66,437
Liabilities		
Accrued expenses	—	67
Transfer payable	79,484	—
Total liabilities	79,484	67
Net assets available for benefits	\$ —	\$ 66,370

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

Lockheed Martin Certain Heritage Inactive Plans
Statement of Changes in Net Assets Available for Benefits
(in thousands)

	Year Ended December 31, 2019
Net assets available for benefits at beginning of year	\$ 66,370
Additions to net assets:	
Interest in net investment gains of Master Trust	15,023
Deductions from net assets:	
Benefit payments	1,622
Administrative expenses	287
Total deductions	1,909
Change in net assets	13,114
Transfer to other plan	(79,484)
Net assets available for benefits at end of year	\$ —

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

Lockheed Martin Certain Heritage Inactive Plans
Notes to Financial Statements

1. Description of the Plan

The following description of the Lockheed Martin Certain Heritage Inactive Plans (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 former hourly employees of Lockheed Martin Aerospace Divisions and Operations, certain former bargaining unit employees of Lockheed Martin Electro-Optical Systems, and certain former employees of Lockheed Martin American Beryllium Corporation, and has been amended from time to time. Lockheed Martin Corporation (the Corporation) is the Plan Sponsor and the Plan Administrator.

During 1997 and 1999, there was a significant reduction in the workforce of LM Aerospace Divisions and Operations and Electro-Optical Systems, respectively, resulting in a partial plan termination, and affected participants became 100% vested. Participation and benefit accruals were respectively frozen in 1997 in 1999.

Effective December 31, 2019, the Plan was merged with and into the Lockheed Martin Corporation Salaried Employee Retirement Program (LMRP). As a result, net assets of the Plan in the amount of \$79,484,000 were transferred into the LMRP. This merger did not change the benefits, rights, features, or other substantive terms of the Plan.

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 and consistent with U.S. Government Cost Accounting Standards. Contributions by the Corporation, if any, meet the ERISA minimum funding requirements. 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 retirement benefits that former employees or their beneficiaries have been receiving and next for the payment of other vested benefits. 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 guarantees the payment of nonforfeitable retirement benefits subject to certain limitations prescribed by ERISA.

Lockheed Martin Certain Heritage Inactive Plans
Notes to Financial Statements (continued)

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.

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 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

Lockheed Martin Certain Heritage Inactive Plans
Notes to Financial Statements (continued)

have not commenced their benefit payments and paying benefits to those participants. Currently, we are unable to predict the outcome of this audit and cannot estimate any reasonably possible loss or range of loss.

Investment Valuation and Income Recognition

Investments in the Master Trust are reported at fair value or at Net Asset Value (NAV). Fair value is the cost 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 gains 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 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 February 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2017-06, which clarifies the presentation and disclosure requirements for an employee benefit plan's interest in a master trust. The new standard requires a plan's interests in master trust balances and activities to be presented on the face of the Plan's financial statements as a single line item for each interest in a master trust. The new standard also requires the disclosure of the master trust's investments by general asset type and the dollar amount of the plan's interest in each asset type; and the disclosure of the master trust's other assets and liabilities on a gross basis and the dollar amount of the plan's interest in each balance. The new standard eliminates the requirement to disclose the plan's overall percentage interest in the master trust and the health and welfare plans' requirement to disclose 401(h) investment account information, in which such information is disclosed in the defined benefit plan. The Plan's management adopted the standard on January 1, 2019 (See Note 4). The adoption did not have a material effect on the Plan's financial statements.

Subsequent Events

The global outbreak of the coronavirus disease 2019 (COVID-19) was declared a pandemic by the World Health Organization and a national emergency by the U.S. Government in March 2020. The continued spread of COVID-19 has caused volatility in the equity capital markets and the investment returns on our pension assets.

The Plan Administrator has evaluated subsequent events through October 1, 2020, the date the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2019 that required recognition or disclosure in these financial statements.

Lockheed Martin Certain Heritage Inactive Plans
Notes to Financial Statements (continued)

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,	
	2019	2018
Vested benefits:		
Participants currently receiving payments	\$ 16,791	\$ 15,162
Participants not currently receiving payments	7,102	7,176
Total vested benefits	23,893	22,338
Plan merger ⁽¹⁾	(23,893)	—
Total actuarial present value of accumulated plan benefits	\$ —	\$ 22,338

The significant actuarial assumptions used in the valuations were (a) life expectancy of participants (Pri-2012 White Collar with Scale MP-2019 for 2019 and RP-2014 Total Dataset Adjusted to 2006 with Scale MP-2018 for 2018), (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 3.25% and 4.25% for 2019 and 2018, respectively. The discount rate assumption used to calculate the actuarial present value of accumulated plan benefits is adjusted annually to reflect current yields on long-term high-quality corporate bonds. This can result in significant year to year fluctuations in the valuations.

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

	Year Ended December 31, 2019
Actuarial present value of accumulated plan benefits at beginning of year	\$ 22,338
Increase (decrease) during the year attributable to:	
Increase for interest due to the decrease in the discount period	911
Benefits paid	(1,622)
Benefits accumulated	(459)
Plan merger ⁽¹⁾	(23,893)
Changes in actuarial assumptions	2,725
Net decrease	(22,338)
Actuarial present value of accumulated plan benefits at end of year	\$ —

(1) See Note 1.

The changes in actuarial assumptions reflect the decrease in the discount rate and change in mortality table, which impacted the actuarial present value of accumulated plan benefits by \$2,128,000 and \$597,000, respectively.

Lockheed Martin Certain Heritage Inactive Plans
Notes to Financial Statements (continued)

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 interest in the Master Trust is stated at the value of the underlying net assets in the Master Trust. The 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 earnings, which include unrealized gains and losses, investment income and plan expenses. The Plan's interest in the Master Trust's net assets, excluding assets of the 401(h) account, as of December 31, 2019 and 2018 was approximately 0.22% and 0.21%, respectively.

The following table presents the Plan's interest in the Master Trust balance as of December 31, 2019 and 2018 (in thousands):

	December 31, 2019		December 31, 2018	
	Master Trust Balance	Plan's Interest in Master Trust Balance	Master Trust Balance	Plan's Interest in Master Trust Balance
Cash and cash equivalents and short-term investment fund	\$ 1,955,745	\$ 4,481	\$ 1,648,851	\$ 3,424
Common and preferred stocks	14,267,977	32,693	9,373,306	19,465
Registered investment companies	408,666	936	1,191,730	2,475
Common collective trusts	1,326,595	3,040	2,061,251	4,280
Corporate debt securities	5,420,481	12,420	4,820,711	10,011
U.S. Government securities ^(a)	2,762,203	6,329	3,396,668	7,054
Other investments ^(b)	2,809,640	4,474	3,327,175	6,909
Commodities	2,406	6	234	—
Total investment assets at fair value	\$ 28,953,713	\$ 64,379	\$ 25,819,926	\$ 53,618
Plus:				
Due from broker for securities sold	90,639	208	46,683	97
Accrued interest and dividends	84,219	193	217,594	417
Other receivables ^(c)	106	—	12,484	13
Less:				
Due to broker for securities purchased	(269,693)	(618)	(19,557)	(276)
Other payables ^(c)	(72,956)	(167)	(183,785)	(99)
Total investment assets at NAV	7,912,078	15,489	7,097,406	12,667
Total net assets	\$ 36,698,106	\$ 79,484	\$ 32,990,751	\$ 66,437

Lockheed Martin Certain Heritage Inactive Plans
Notes to Financial Statements (continued)

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, 2019 and 2018, and net appreciation in fair value of investments, interest income, and dividend income for the year ended December 31, 2019, was obtained or derived from information certified as complete and accurate by the Trustee of the Master Trust. The following financial information was not certified by the Trustee, as the net assets are not held in custody by the Trustee (in thousands):

	December 31,	
	2019	2018
Assets		
Cash and cash equivalents and short-term investment fund	\$ 1,635,769	\$ 1,323,437
Common and preferred stocks	644,648	809,803
Registered investment companies	(60,221)	(64,838)
Corporate debt securities	602,053	314,871
U.S. Government securities	151,695	173,233
Other investments	164,246	542,407
Commodities	2,406	234
Total assets	3,140,596	3,099,147
Liabilities		
Payables, net	133,213	104,758
Total net assets	\$ 3,007,383	\$ 2,994,389
Year Ended		
December 31, 2019		
Investment income not certified by the Trustee		
Interest and dividend income	\$89,520	
Net appreciation in fair value of investments	\$26,142	

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

Lockheed Martin Certain Heritage Inactive Plans
Notes to Financial Statements (continued)

- 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.

Certain other investments are measured at their value using NAV per share and do not have readily determined values and are thus not subject to leveling in the fair value hierarchy. The NAV is the total value of the fund divided by the number of shares outstanding.

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, 2019 (in thousands):

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents and short-term investment fund	\$ 1,955,745	\$ —	\$ —	\$ 1,955,745
Common and preferred stocks	14,239,429	13,408	15,140	14,267,977
Registered investment companies	408,666	—	—	408,666
Common collective trusts	—	1,326,595	—	1,326,595
Corporate debt securities	—	5,418,543	1,938	5,420,481
U.S. Government securities ^(a)	—	2,762,204	—	2,762,204
Other investments ^{(b) (d)}	33,881	1,808,500	967,258	2,809,639
Commodities	2,406	—	—	2,406
Total investment assets at fair value	\$ 16,640,127	\$ 11,329,250	\$ 984,336	\$ 28,953,713
Investments measured at NAV ^(e) :				
Common collective trusts				143,874
Registered investment companies				2,374
Private equity funds				4,632,783
Real estate funds ^(f)				2,160,234
Hedge funds				972,813
Total investment assets at NAV				7,912,078
Payables, net				(167,685)
Total net assets				\$ 36,698,106

Interest and dividend income earned by the Master Trust for the year ended December 31, 2019 was \$428,439,000 and \$237,516,000, respectively. Other income for the year ended December 31, 2019 was \$374,322,000. The net appreciation for the year ended December 31, 2019 was \$6,091,330,000.

Lockheed Martin Certain Heritage Inactive Plans
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, 2018 (in thousands):

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents and short-term investment fund ^(g)	\$ 1,648,851	\$ —	\$ —	\$ 1,648,851
Common and preferred stocks ^(g)	9,354,400	15,777	3,129	9,373,306
Registered investment companies	1,191,730	—	—	1,191,730
Common collective trusts	—	2,061,251	—	2,061,251
Corporate debt securities	—	4,818,771	1,940	4,820,711
U.S. Government securities ^(a)	—	3,396,668	—	3,396,668
Other investments ^{(b) (d) (g)}	16,203	2,377,420	933,552	3,327,175
Commodities	234	—	—	234
Total investment assets at fair value	\$ 12,211,418	\$ 12,669,887	\$ 938,621	\$ 25,819,926
Investments measured at NAV ^(e) :				
Common collective trusts				93,063
Registered investment companies				47,883
Private equity funds				4,025,506
Real estate funds ^(f)				2,111,695
Hedge funds				819,259
Total investment assets at NAV				7,097,406
Receivables, net				73,419
Total net assets				<u>\$ 32,990,751</u>

The following table identifies certain transactions associated with the fair value of Master Trust's Level 3 assets for the year ended December 31, 2019 (in thousands):

	Purchases	Other Issuances	Transfers into Level 3	Transfers out of Level 3
Corporate debt securities	\$ 37	\$ —	\$ —	—
Common and preferred stocks	59	2,968	64	(23)
Other investments ^{(b) (d)}	972,731	8,520	—	(52,853)
Total	\$ 972,827	\$ 11,488	\$ 64	(52,876)

(a) Includes U.S. Government-sponsored enterprise securities.

(b) Includes collateralized mortgage obligations, municipals, asset-backed securities, inflation index linked bonds, foreign government securities, swaps, guaranteed annuity contracts, repurchase agreements, and private debt.

Lockheed Martin Certain Heritage Inactive Plans
Notes to Financial Statements (continued)

- (c) Includes unsettled trades, other receivables/payables, market values on foreign currency, items relating to derivatives and other cash positions on futures.
- (d) Level 3 investments include \$857,117,000 as of December 31, 2019 and \$810,263,000 as of December 31, 2018 related to a buy-in contract.
- (e) Certain investments that are valued using the NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy and are included below the table to permit reconciliation of the fair value hierarchy to the aggregate post-retirement benefit plan assets.
- (f) Includes 103-12 investment entities
- (g) The Corporation reclassified certain cash and cash equivalents, stocks and other investments as other receivables or payables for 2018 in accordance with ASU 2017-06, the disclosure of the master trust's other assets and liabilities on a gross basis. The 2018 reclassification was due to management's re-evaluation of the nature of the investments and does not impact the 2018 financial statements or the total plan assets previously reported rather just the presentation of the components of total Master Trust assets in the table above.

Certain assets that were previously classified outside of the leveling table were transferred into Level 3 as a result of management's current year assessment of the inputs used to determine fair value. Transfers out of Level 3 include assets that were transferred into Level 2 at the end of the year as a result of 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. Management is unaware of measurement uncertainty within Level 3 fair value measurements as of December 31, 2019.

Valuation Techniques

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

Common and preferred stock 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 common and preferred stock 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 generally categorized as Level 2 if the custodian obtains corroborated quotes from a pricing vendor or generally categorized as Level 3 if the custodian obtains uncorroborated quotes from a broker or investment manager.

Common collective trusts (CCTs) are investment vehicles valued using the NAV provided by the fund managers. The NAV is the total value of the fund divided by the number of shares outstanding. CCTs are categorized as Level 2 if the NAV is corroborated by observable market data (e.g., purchases or sales activity), or not categorized in a level of fair value hierarchy (excluded from the fair value table) where certain liquidity provisions apply and the NAV is deemed a practical expedient with regards to valuation. CCTs and registered investment companies valued using the NAV as a practical expedient are typically redeemable within 90 days.

Registered investment company securities categorized as Level 1 are traded on active national and international exchanges and are generally valued at closing prices on the last trading day of the year. In the cases where the

Lockheed Martin Certain Heritage Inactive Plans
Notes to Financial Statements (continued)

valuation is based on NAV at the close of the year, these represent open-ended mutual funds valued by multiple pricing sources. For those securities not categorized in a level of the fair value hierarchy, the Corporation cannot fully redeem the investment in the near-term and NAV as a practical expedient is deemed to apply to those assets.

Corporate debt instruments and U.S. Government 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 instruments 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.

Other investments consist of securities such as derivatives and fixed income securities not classified as corporate debt instruments or U.S. Government securities. Level 1 securities are comprised of derivative securities traded on national and international exchanges. Level 2 securities are mainly comprised of over-the-counter (OTC) derivatives and fixed income investments 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. Other investments are categorized at Level 3 when valuations using observable inputs are unavailable. The Trustee obtains pricing based on bid evaluations from vendors or the investment manager.

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.

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 not categorized in a level of fair value hierarchy as the Corporation cannot fully redeem the investment in the near-term and NAV as a practical expedient is deemed to apply to those assets. Hedge funds contain liquidity provisions which generally allow for redemptions within several months.

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 typically eight to twelve years, and the funds 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. 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 eight to ten 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. Unfunded capital commitments related to the Master Trust's investment in private equity and real estate funds as of December 31, 2019 and 2018 totaled \$3,929,312,000 and \$3,640,304,000, respectively. Hedge fund investments are made through commingled fund vehicles and depending on the hedge

Lockheed Martin Certain Heritage Inactive Plans
Notes to Financial Statements (continued)

fund, redemptions can be monthly or annually. The redemption notice period, depending on the hedge fund, is typically 45 to 180 days in advance.

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 not in a level of fair value hierarchy, management may use third-party pricing sources or appraisers. In substantiating the reasonableness of the pricing data provided by third parties, management evaluates a variety of factors including review of methods and assumptions used by external sources, recently executed transactions, existing contracts, economic conditions, industry and market developments, and overall credit ratings.

Derivative Instruments

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

As of December 31, 2019 and 2018, 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 OTC 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 OTC, 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 OTC 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.

Lockheed Martin Certain Heritage Inactive Plans
Notes to Financial Statements (continued)

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

The notional amounts and fair values of derivative instruments as of December 31, 2019 and 2018 are presented below (in thousands):

	<u>December 31, 2019</u>		<u>December 31, 2018</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)	\$ 1,625,573	\$ —	\$ 272,094	\$ —
Futures Contracts (Short)	(148,485)	—	(89,773)	—
Equity Options (Long)	695,681	22,329	354,694	28,665
Equity Options (Short)	(127,268)	(6,098)	(114,157)	(24,689)
Swaps	3,827	(2,373)	9,259	(23,643)
Fixed Income Securities				
Futures Contracts (Long)	2,184,835	—	2,048,285	—
Futures Contracts (Short)	(668,259)	—	(2,870,162)	—
Fixed Income Options (Long)	866,120	8,837	7,045,789	174,541
Fixed Income Options (Short)	(433,114)	(4,292)	(7,978,499)	(10,745)
Swaps	7,845,580	707,046	5,783,892	128,596
Commodities				
Futures Contracts (Long)	984,862	—	2,776,886	—
Futures Contracts (Short)	(864,682)	—	(584,091)	—
Fixed Income Options (Long)	151,389	3,255	332,638	3,224
Fixed Income Options (Short)	(53,061)	(878)	(230,822)	(2,990)
Foreign Exchange				
Futures Contracts (Long)	(35,498)	—	(19,249)	—
Futures Contracts (Short)	(43,240)	—	15,406	—
Fixed Income Options (Long)	25,351	4,396	(26,235)	2,128
Fixed Income Options (Short)	29,682	(6,719)	(16,923)	(3,296)
Forward Contracts	611,921	(10,598)	671,512	13,371
Swaps	9,412,520	6,703	8,966,470	4,695
Total	\$ 22,063,734	\$ 721,608	\$ 16,347,014	\$ 289,857

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

Lockheed Martin Certain Heritage Inactive Plans
Notes to Financial Statements (continued)

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, 2019, 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	\$ 666,499	\$ 16,071	\$ 650,428	\$ —	\$ 650,428
Exchange Traded Commodities	3,123	377	2,746	—	2,746
Exchange Traded Equities	7,245	1,355	5,890	165	5,725
Exchange Traded Interest Rate / Credit	731	38	693	—	693
OTC Equities	47,922	35,940	11,982	—	11,982
OTC Foreign Exchange	94,200	75,710	18,490	3,162	15,328
OTC Interest Rate / Credit	92,764	17,873	74,891	40,777	34,114
Total Derivatives	\$ 912,484	\$ 147,364	\$ 765,120	\$ 44,104	\$ 721,016
Repurchase Agreements	\$ 639,836	\$ 59,039	\$ 580,797	\$ —	\$ 580,797
Securities on Loan	\$ 440,936	\$ —	\$ 440,936	\$ 440,936	\$ —

<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	\$ 16,071	\$ 16,071	\$ —	\$ —	\$ —
Exchange Traded Commodities	742	377	365	—	365
Exchange Traded Equities	1,407	1,355	52	—	52
Exchange Traded Interest Rate / Credit	292	38	254	—	254
OTC Equities	39,987	35,940	4,047	830	3,217
OTC Foreign Exchange	100,418	75,710	24,708	19,067	5,641
OTC Interest Rate / Credit	31,953	17,873	14,080	6,671	7,409
Total Derivatives	\$ 190,870	\$ 147,364	\$ 43,506	\$ 26,568	\$ 16,938
Repurchase Agreements	\$ 126,920	\$ 59,039	\$ 67,881	\$ —	\$ 67,881

Lockheed Martin Certain Heritage Inactive Plans
Notes to Financial Statements (continued)

As of December 31, 2018, 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	\$ 105,186	\$ 3,225	\$ 101,961	\$ 98	\$ 101,863
Exchange Traded Commodities	3,224	200	3,024	—	3,024
Exchange Traded Equities	23,530	7,653	15,877	933	14,944
Exchange Traded Interest Rate / Credit	605	453	152	—	152
OTC Equities	28,919	5,403	23,516	22,740	776
OTC Foreign Exchange	82,152	57,573	24,579	15,044	9,535
OTC Interest Rate / Credit	217,524	20,792	196,732	50,865	145,867
Total Derivatives	\$ 461,140	\$ 95,299	\$ 365,841	\$ 89,680	\$ 276,161
Repurchase Agreements	\$ 712,456	\$ 176,602	\$ 535,854	\$ 23,189	\$ 512,665
Securities on Loan	\$ 855,374	—	\$ 855,374	\$ 855,374	—

<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	\$ 3,225	\$ 3,225	\$ —	\$ —	\$ —
Exchange Traded Commodities	2,990	200	2,790	99	2,691
Exchange Traded Equities	10,272	7,653	2,619	—	2,619
Exchange Traded Interest Rate / Credit	1,366	453	913	—	913
OTC Equities	61,874	5,403	56,471	21,108	35,363
OTC Foreign Exchange	65,144	57,573	7,571	3,111	4,460
OTC Interest Rate / Credit	26,192	20,792	5,400	—	5,400
Total Derivatives	\$ 171,063	\$ 95,299	\$ 75,764	\$ 24,318	\$ 51,446
Repurchase Agreements	\$ 229,655	\$ 176,602	\$ 53,053	—	\$ 53,053

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

Lockheed Martin Certain Heritage Inactive Plans
Notes to Financial Statements (continued)

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.

As of December 31, 2019 and 2018, the fair value of securities on loan was \$600,000,000 and \$860,000,000, respectively the fair value of securities borrowed was \$1,127,000,000 and \$1,229,000,000, respectively and the fair value for reverse repurchase agreements was \$515,000,000 and \$483,000,000, respectively. Collateral pledged for securities on loan is not held in the Master Trust, and cannot be sold, replugged, 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 \$15,000,000 and \$11,000,000, respectively for the year ended December 31, 2019 and 2018.

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 Internal Revenue Service (IRS) has determined and informed the Corporation by a letter dated March 11, 2013, that the Plan is designed in accordance with applicable sections of the Internal Revenue Code (IRC), and therefore, the related trust is exempt from taxation. Under current IRS determination letter procedures, there is no opportunity for the Plan to obtain a more recent letter from the IRS. 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, 2019, 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 2016.

7. Reconciliation of Financial Statements to Form 5500

Interest in net investment gains of Master Trust reported in the financial statements is \$287,000 greater than the amount reported on Form 5500 for the year ended December 31, 2019. Administrative expenses reported in the financial statements are \$287,000 greater than the amount reported on Form 5500 for the year ended December 31, 2019. These differences arose from the classification of certain administrative expenses which are included in the net investment gains in the Master Trust for Form 5500 reporting purposes.

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 interest rate stabilization 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.

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>
Through 2020	90% - 110%
2021	85% - 115%
2022	80% - 120%
2023	75% - 125%
2024 and later	70% - 130%

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 Generational 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 equal to the Fair Market Value of Assets.

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

The discount rate and mortality table are prescribed assumptions. All other assumptions used in this report are non-prescribed assumptions. Below are the actuarial assumptions as of January 1, 2019.

Discount Rate:	<u>With Interest Rate Stabilization</u>	<u>Without Interest Rate Stabilization</u>
Effective Rate	5.38%	3.87%
First Segment – First 5 Years	3.74%	2.28%
Second Segment – Next 15 Years	5.35%	3.81%
Third Segment – After 20 Years	6.11%	4.46%

Mortality: The IRS 2019 Generational Mortality Table - Separate

Investment Return: 7.00% per annum, compounded annually

Termination: n/a

Salary Scale: n/a

Estimated Expenses: \$142,568

Retirement:

Active Participants: n/a

Terminated Vested Participants: Age 65

Form of Payment: Life annuity.

Survivor's Benefit: It is assumed that husbands are three years older than wives.

It is assumed 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.

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 2019 This Form is Open to Public Inspection
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For calendar plan year 2019 or fiscal plan year beginning 01/01/2019 and ending 12/31/2019

► **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 Certain Heritage Inactive Plans	B Three-digit plan number (PN) ►	042
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 <u>1</u> Day <u>1</u> Year <u>2019</u>		
2	Assets:		
	a Market value	2a	66,437,617
	b Actuarial value	2b	66,437,617
3	Funding target/participant count breakdown	(1) Number of participants	(2) Vested Funding Target
	a For retired participants and beneficiaries receiving payment	588	14,848,147
	b For terminated vested participants	224	5,065,849
	c For active participants	0	0
	d Total	812	19,913,996
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	5.38 %
6	Target normal cost	6	142,568

Statement by Enrolled Actuary

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

SIGN HERE	Jeffrey K. Martin  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	9/16/2020 Date 20-04379 Most recent enrollment number (860) 534-2435 Telephone number (including area code)
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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, see the Instructions for Form 5500 or 5500-SF.

Schedule SB (Form 5500) 2019
v. 190130

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)	9,843,863	615,266
8 Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	0	0
9 Amount remaining (line 7 minus line 8)	9,843,863	615,266
10 Interest on line 9 using prior year's actual return of <u>-4.79</u> %	-471521	-29471
11 Prior year's excess contributions to be added to prefunding balance:		
a Present value of excess contributions (line 38a from prior year)		0
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>5.57</u> %		0
b(2) Interest on line 38b from prior year Schedule SB, using prior year's actual return		0
c Total available at beginning of current plan year to add to prefunding balance		0
d Portion of (c) to be added to prefunding balance		0
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)	9,372,342	585795

Part III Funding Percentages

14 Funding target attainment percentage	14	283.61%
15 Adjusted funding target attainment percentage	15	333.62%
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	342.54%
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

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

21 Discount rate:				
a Segment rates:	1st segment: 3.74 %	2nd segment: 5.35 %	3rd segment: 6.11 %	☐ N/A, full yield curve used
b Applicable month (enter code)				21b 4
22 Weighted average retirement age				22
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	142,568	
b Excess assets, if applicable, but not greater than line 31a	31b	142,568	
32 Amortization installments:	Outstanding Balance	Installment	
a Net shortfall amortization installment	0	0	
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	0	
	Carryover balance	Prefunding balance	Total balance
35 Balances elected for use to offset funding requirement	0	0	0
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

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 interest rate stabilization 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.

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>
Through 2020	90% - 110%
2021	85% - 115%
2022	80% - 120%
2023	75% - 125%
2024 and later	70% - 130%

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 Generational 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 equal to the Fair Market Value of Assets.

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

The discount rate and mortality table are prescribed assumptions. All other assumptions used in this report are non-prescribed assumptions. Below are the actuarial assumptions as of January 1, 2019.

Discount Rate:	<u>With Interest Rate Stabilization</u>	<u>Without Interest Rate Stabilization</u>
Effective Rate	5.38%	3.87%
First Segment – First 5 Years	3.74%	2.28%
Second Segment – Next 15 Years	5.35%	3.81%
Third Segment – After 20 Years	6.11%	4.46%

Mortality: The IRS 2019 Generational Mortality Table - Separate

Investment Return: 7.00% per annum, compounded annually

Termination: n/a

Salary Scale: n/a

Estimated Expenses: \$142,568

Retirement:

Active Participants: n/a

Terminated Vested Participants: Age 65

Form of Payment: Life annuity.

Survivor's Benefit: It is assumed that husbands are three years older than wives.

It is assumed 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.

Aerospace Divisions and Operations

Effective Date of Plan July 1, 1963

Eligibility All employees are eligible on their date of employment.

Normal Retirement Benefit

Eligibility Age 65 and five years of Credited Service.

Benefit Formula \$22 multiplied by years of Credited Service.

Early Retirement Benefit

Eligibility Age 55 and ten years of Credited Service.

Benefit Formula Monthly benefit computed as in normal retirement, reduced for payment commencing prior to age 62 in accordance with the following:

<u>Age at Retirement</u>	<u>Percent Reduction</u>
61	6.7%
60	13.3%
59	19.2%
58	24.8%
57	30.6%
56	36.5%
55	42.1%

Disability Benefit

Eligibility Ten years of Credited Service.

Benefit Formula \$22 multiplied by years of Credited Service at disability retirement, payable immediately.

Preretirement Spouse Benefit*Eligibility*

Five years of Vesting Service.

Benefit Formula

50% of the monthly benefit the participant would have received if he had retired on the first of the month preceding or coincident with his death and had elected the 50% joint and survivor option. The benefit is deferred to the earliest retirement age of the participant.

Termination Benefit*Eligibility*

Five years of Vesting Service.

Benefit Formula

- (a) A deferred monthly benefit computed as in normal retirement, payable at age 65, or
- (b) A monthly benefit computed as in normal retirement, reduced for payment commencing prior to age 65 in accordance with the following:

<u>Age at Retirement</u>	<u>Percent Reduction</u>
64	7.2%
63	14.4%
62	21.6%
61	28.8%
60	36.0%
59	41.8%
58	46.3%
57	50.5%
56	54.1%
55	57.6%

Normal Form of Annuity*Married Participants*

A reduced 50% joint and survivor annuity.

Unmarried Participants

Single life annuity.

Beryllium

Participation Eligibility	Age 21 and one year of service.
Vesting Service	All periods of service from employment.
Credited Service	All periods of service from participation.
Normal Form of Annuity	Life Annuity.
Normal Retirement Date	Age 65 and 5 years of Vesting Service.
Benefit Formula	<p>The sum of (a) and (b) reduced by (c):</p> <p>For service on or after September 1, 1993:</p> <p>a) Monthly benefit is equal to \$49.90 times years of Credited Service (maximum of 30 years).</p> <p>For service prior to September 1, 1993:</p> <p>b) Accrued benefit under I.A.M. National Pension Fund, National Pension Plan.</p> <p>c) Vested accrued benefit payable from I.A.M. National Pension Fund, National Pension Plan.</p>
Early Eligibility	Attainment of age 55 and 10 years of Vesting Service.
Early Benefit Amount	An annual benefit payable prior to Normal Retirement, but on or after the Early Retirement Eligibility Date. The benefit amount is calculated the same as the Normal Retirement Benefit except it is based on Years of Service at the Early Retirement Date. This amount will then be reduced by a factor determined according to the participant's age to the nearest whole month as of the date payments are to commence. The factor is equal to a 6.67% reduction for each of the first five years prior to the date full benefits would otherwise be available plus 3.33% for the next five years.

Vesting Eligibility

Five years of Service.

Vested Benefit

Retirement benefit accrued to date of termination and payable at Normal Retirement Date. If the participant elects to receive payment of his Vested Benefit at Early Retirement, the reduced pension payable at age 55 is equal to the early retirement pension.

Preretirement Spouse Benefit

A. Eligibility

Eligible for early retirement, married.

Benefit Formula

50% of the pension benefit accrued to date of death, reduced by appropriate early retirement and joint-and-survivor factors.

B. Eligibility

Eligible for vesting but not eligible for early retirement, married.

Benefit Formula

50% 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.

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.

Electro-Optical Systems

Effective Date of Plan

December 31, 1999.

Eligibility

All employees are eligible on their date of employment.

Normal Retirement Benefit

Eligibility

Age 65.

Benefit Formula

LMRP formula for service from January 1, 1999 plus Heritage formula through January 1, 1999, updated by the ratio of final average pay at retirement to final average pay at December 31, 1998.

The grandfathered benefit accrued through January 1, 2004 remains a minimum benefit. All employees who were age 45 with five years of benefit eligibility service as of December 31, 1998 are eligible for this minimum benefit.

LMRP: The sum of (1), (2), and (3):

- (1) 1.25% times three-year final average pay up to Social Security covered compensation multiplied by years of Credited Service (maximum of 35 years)
- (2) 1.50% times three-year final average pay above Social Security covered compensation multiplied by years of Credited Service (maximum of 35 years)
- (3) 1.50% times three-year final average pay multiplied by years of Credited Service over 35 years

Heritage: The greatest of (1), (2), (3), and (4):

- (1) 1.60% of five-year average earnings multiplied by years of Credited Service (maximum of 30 years), minus a percentage of the five-year average earnings up to Social Security covered compensation multiplied by years of Credited Service (maximum of 30 years). Percentages are as follows:

<u>Year of Birth</u>	<u>Percentage</u>
Before 1938	0.65%
1938 to 1954	0.60%
After 1954	0.55%

- (2) Accrued benefit as of December 31, 1988 plus the benefit with respect to Credited Service earned after December 31, 1988.
- (3) For transfers from Xerox to Loral EOS on June 25, 1983, 1.00% of the five-year average earnings multiplied by years of Credited Service.
- (4) For transfers from Xerox to Loral EOS on June 25, 1983, the benefit provided by the retirement account balance. The immediate lump sum is calculated by multiplying the participant's number of Xerox units by the Xerox unit value, which varies monthly based on the value of the pension trust.

Early Retirement Benefit

Eligibility

LMRP: Age 55 and five years of benefit eligibility service.

Heritage: Age 55 and ten years of benefit eligibility service.

Benefit Formula

LMRP: Monthly benefit computed as in normal retirement, reduced 5.00% for each year by which commencement of benefits precedes age 60.

Heritage: Monthly benefit computed as in normal retirement, reduced 5.00% for each year by which retirement precedes age 65 (age 62 if the participant retires with 30 or more years of service).

Early Retirement Supplement

Eligibility

Employees retiring from active service between ages 60 and 62 with ten years of benefit eligibility service.

Benefit Formula

A monthly supplement, payable until age 62, equal to \$20 per month multiplied by years of Credited Service up to a maximum of 25 years, plus \$100. The supplement is limited to \$600 per month.

Preretirement Spouse Benefit*Eligibility*

Five years of Vesting Service.

Benefit Formula

100% of the monthly benefit the participant would have received if he had retired on the first of the month preceding or coincident with his death and had elected the 100% joint and survivor option. The benefit is payable at the earliest retirement date of the participant and is calculated according to LMRP factors.

Termination Benefit*Eligibility*

Five years of Vesting Service.

Benefit Formula

- (a) A deferred monthly benefit computed as in normal retirement, payable at age 65, or
- (b) A monthly benefit computed as in normal retirement, reduced for payment commencing prior to age 65 in accordance with the following:

<u>Age at Retirement</u>	<u>Percent Reduction</u>
64	10.1%
63	19.4%
62	27.9%
61	35.6%
60	42.5%
59	48.6%
58	53.9%
57	58.4%
56	62.1%
55	65.0%

Normal Form of Annuity*Married Participants*

A reduced 50% joint and survivor annuity. Unreduced 50% joint and survivor annuity for Xerox benefit.

Unmarried Participants

Single life annuity.

Changes in Pension Plan Provisions

No changes in the pension plan provisions were recognized with this actuarial valuation.

Legislated Changes

There were no legislative changes recognized with this actuarial valuation.

Changes in Actuarial Assumptions

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

	<u>Prior</u>	<u>Current</u>
Expense Load	\$187,178	\$142,568
Investment Return	7.50% per annum	7.00% per annum

Changes in Actuarial Methods

No changes in actuarial methods were recognized with this actuarial valuation.

Aerospace Divisions and Operations

Effective Date of Plan July 1, 1963

Eligibility All employees are eligible on their date of employment.

Normal Retirement Benefit

Eligibility Age 65 and five years of Credited Service.

Benefit Formula \$22 multiplied by years of Credited Service.

Early Retirement Benefit

Eligibility Age 55 and ten years of Credited Service.

Benefit Formula Monthly benefit computed as in normal retirement, reduced for payment commencing prior to age 62 in accordance with the following:

<u>Age at Retirement</u>	<u>Percent Reduction</u>
61	6.7%
60	13.3%
59	19.2%
58	24.8%
57	30.6%
56	36.5%
55	42.1%

Disability Benefit

Eligibility Ten years of Credited Service.

Benefit Formula \$22 multiplied by years of Credited Service at disability retirement, payable immediately.

Preretirement Spouse Benefit

Eligibility

Five years of Vesting Service.

Benefit Formula

50% of the monthly benefit the participant would have received if he had retired on the first of the month preceding or coincident with his death and had elected the 50% joint and survivor option. The benefit is deferred to the earliest retirement age of the participant.

Termination Benefit

Eligibility

Five years of Vesting Service.

Benefit Formula

- (a) A deferred monthly benefit computed as in normal retirement, payable at age 65, or
- (b) A monthly benefit computed as in normal retirement, reduced for payment commencing prior to age 65 in accordance with the following:

<u>Age at Retirement</u>	<u>Percent Reduction</u>
64	7.2%
63	14.4%
62	21.6%
61	28.8%
60	36.0%
59	41.8%
58	46.3%
57	50.5%
56	54.1%
55	57.6%

Normal Form of Annuity

Married Participants

A reduced 50% joint and survivor annuity.

Unmarried Participants

Single life annuity.

Beryllium

Participation Eligibility	Age 21 and one year of service.
Vesting Service	All periods of service from employment.
Credited Service	All periods of service from participation.
Normal Form of Annuity	Life Annuity.
Normal Retirement Date	Age 65 and 5 years of Vesting Service.
Benefit Formula	<p>The sum of (a) and (b) reduced by (c):</p> <p>For service on or after September 1, 1993:</p> <p>a) Monthly benefit is equal to \$49.90 times years of Credited Service (maximum of 30 years).</p> <p>For service prior to September 1, 1993:</p> <p>b) Accrued benefit under I.A.M. National Pension Fund, National Pension Plan.</p> <p>c) Vested accrued benefit payable from I.A.M. National Pension Fund, National Pension Plan.</p>
Early Eligibility	Attainment of age 55 and 10 years of Vesting Service.
Early Benefit Amount	An annual benefit payable prior to Normal Retirement, but on or after the Early Retirement Eligibility Date. The benefit amount is calculated the same as the Normal Retirement Benefit except it is based on Years of Service at the Early Retirement Date. This amount will then be reduced by a factor determined according to the participant's age to the nearest whole month as of the date payments are to commence. The factor is equal to a 6.67% reduction for each of the first five years prior to the date full benefits would otherwise be available plus 3.33% for the next five years.

Vesting Eligibility

Five years of Service.

Vested Benefit

Retirement benefit accrued to date of termination and payable at Normal Retirement Date. If the participant elects to receive payment of his Vested Benefit at Early Retirement, the reduced pension payable at age 55 is equal to the early retirement pension.

Preretirement Spouse Benefit

A. Eligibility

Eligible for early retirement, married.

Benefit Formula

50% of the pension benefit accrued to date of death, reduced by appropriate early retirement and joint-and-survivor factors.

B. Eligibility

Eligible for vesting but not eligible for early retirement, married.

Benefit Formula

50% 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.

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.

Electro-Optical Systems

Effective Date of Plan December 31, 1999.

Eligibility All employees are eligible on their date of employment.

Normal Retirement Benefit

Eligibility Age 65.

Benefit Formula LMRP formula for service from January 1, 1999 plus Heritage formula through January 1, 1999, updated by the ratio of final average pay at retirement to final average pay at December 31, 1998.

The grandfathered benefit accrued through January 1, 2004 remains a minimum benefit. All employees who were age 45 with five years of benefit eligibility service as of December 31, 1998 are eligible for this minimum benefit.

LMRP: The sum of (1), (2), and (3):

- (1) 1.25% times three-year final average pay up to Social Security covered compensation multiplied by years of Credited Service (maximum of 35 years)
- (2) 1.50% times three-year final average pay above Social Security covered compensation multiplied by years of Credited Service (maximum of 35 years)
- (3) 1.50% times three-year final average pay multiplied by years of Credited Service over 35 years

Heritage: The greatest of (1), (2), (3), and (4):

- (1) 1.60% of five-year average earnings multiplied by years of Credited Service (maximum of 30 years), minus a percentage of the five-year average earnings up to Social Security covered compensation multiplied by years of Credited Service (maximum of 30 years). Percentages are as follows:

<u>Year of Birth</u>	<u>Percentage</u>
Before 1938	0.65%
1938 to 1954	0.60%
After 1954	0.55%

- (2) Accrued benefit as of December 31, 1988 plus the benefit with respect to Credited Service earned after December 31, 1988.
- (3) For transfers from Xerox to Loral EOS on June 25, 1983, 1.00% of the five-year average earnings multiplied by years of Credited Service.
- (4) For transfers from Xerox to Loral EOS on June 25, 1983, the benefit provided by the retirement account balance. The immediate lump sum is calculated by multiplying the participant's number of Xerox units by the Xerox unit value, which varies monthly based on the value of the pension trust.

Early Retirement Benefit

Eligibility

LMRP: Age 55 and five years of benefit eligibility service.

Heritage: Age 55 and ten years of benefit eligibility service.

Benefit Formula

LMRP: Monthly benefit computed as in normal retirement, reduced 5.00% for each year by which commencement of benefits precedes age 60.

Heritage: Monthly benefit computed as in normal retirement, reduced 5.00% for each year by which retirement precedes age 65 (age 62 if the participant retires with 30 or more years of service).

Early Retirement Supplement

Eligibility

Employees retiring from active service between ages 60 and 62 with ten years of benefit eligibility service.

Benefit Formula

A monthly supplement, payable until age 62, equal to \$20 per month multiplied by years of Credited Service up to a maximum of 25 years, plus \$100. The supplement is limited to \$600 per month.

Preretirement Spouse Benefit

Eligibility

Five years of Vesting Service.

Benefit Formula

100% of the monthly benefit the participant would have received if he had retired on the first of the month preceding or coincident with his death and had elected the 100% joint and survivor option. The benefit is payable at the earliest retirement date of the participant and is calculated according to LMRP factors.

Termination Benefit

Eligibility

Five years of Vesting Service.

Benefit Formula

- (a) A deferred monthly benefit computed as in normal retirement, payable at age 65, or
- (b) A monthly benefit computed as in normal retirement, reduced for payment commencing prior to age 65 in accordance with the following:

<u>Age at Retirement</u>	<u>Percent Reduction</u>
64	10.1%
63	19.4%
62	27.9%
61	35.6%
60	42.5%
59	48.6%
58	53.9%
57	58.4%
56	62.1%
55	65.0%

Normal Form of Annuity

Married Participants

A reduced 50% joint and survivor annuity. Unreduced 50% joint and survivor annuity for Xerox benefit.

Unmarried Participants

Single life annuity.

Changes in Pension Plan Provisions

No changes in the pension plan provisions were recognized with this actuarial valuation.

Legislated Changes

There were no legislative changes recognized with this actuarial valuation.

Changes in Actuarial Assumptions

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

	<u>Prior</u>	<u>Current</u>
Expense Load	\$187,178	\$142,568
Investment Return	7.50% per annum	7.00% per annum

Changes in Actuarial Methods

No changes in actuarial methods were recognized with this actuarial valuation.