

Benefits BULLETIN

This Bulletin is a summary of material modifications, outlining important changes to the Northrop Grumman Pension Program.

February 2008

Changes to the Northrop Grumman Pension Program

Beginning July 1, 2008, Northrop Grumman is making some changes to the Northrop Grumman Pension Program.

For Current Employees

You — our current employees — have consistently communicated that you want and appreciate having a pension plan, and Northrop Grumman will continue to provide this benefit to you. In order to better manage our costs and align our benefits with those of the competition, we will be moving to a common schedule of pay-based credits for *future* cash balance benefit accruals across all business units. The new schedule of pay-based credits will be rolled out in phases, as described later in this bulletin. It's important to note that **this change does not impact any benefit you have already accrued**, either under your historical pension plan or during the 5-year transition period (as described on page 5), if eligible.

For New Employees

On the other hand, new employees have communicated an interest in a pension plan that provides greater flexibility and portability. As a result, new hires (and certain rehires) on and after July 1, 2008, will receive an automatic company contribution of 3%-5% of base pay per pay period, based on age, to a new retirement account in the Northrop Grumman Savings Plan — rather than participating in the Northrop Grumman Pension Program. This company contribution will be subject to the same three-year vesting period that applies to benefits accrued under the Northrop Grumman Pension Program. *Note: This change does not impact current employees' benefits under the Northrop Grumman Savings Plan — current employees will not be offered the new company contribution, as they will continue to accrue a benefit in the Northrop Grumman Pension Program.*

Why We're Making Changes

To remain competitive, change is required. It is not just about making changes to meet *today's* needs — it's about improving the way we run our business over the *long term*, while ensuring that our benefits program is both cost-competitive and market-competitive. We feel that the changes we are making to the Northrop Grumman Pension Program will allow us, as *One Northrop Grumman*, to achieve a competitive advantage over our peer companies by better managing our costs and financial performance, while providing a program that responds to the changing needs of both our current and future employees.

For details on the change and how it may impact you, a description of the 5-year transition benefit, frequently asked questions and more, access the "Important Pension Information" page on *Benefits OnLine* at <http://benefits.northropgrumman.com>.

New Formula for the Part D Cash Balance Benefit

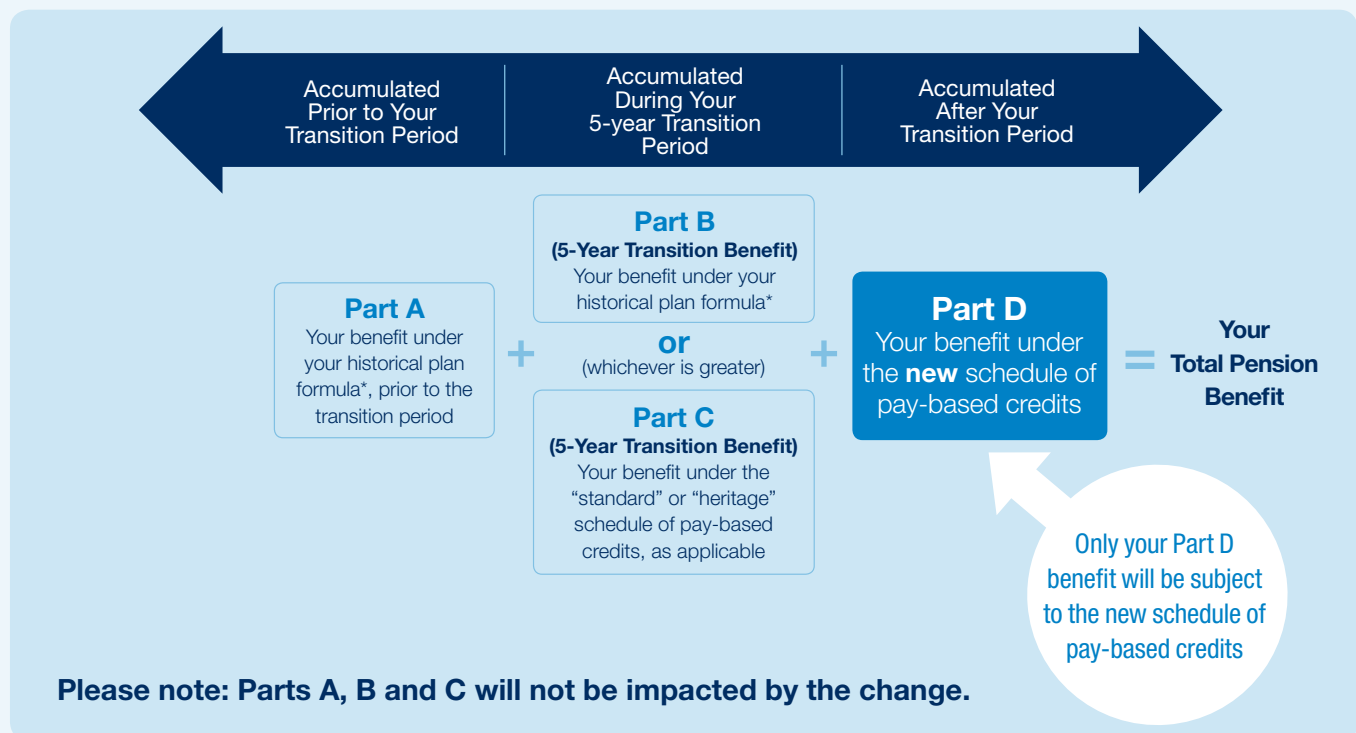
The Northrop Grumman Pension Program is not changing — just the schedule of pay-based credits for the Part D cash balance benefit. As a reminder, your Northrop Grumman pension benefit may consist of the following components, depending on which pension plan you are participating in and when you were hired:

- **Part A** — the benefit you earn under your historical pension plan formula* prior to the beginning of your transition period
- **Part B or Part C** — the “transition benefit” you earn under either your historical plan formula* or the cash balance formula, whichever provides the higher benefit, during your 5-year transition period
- **Part D** — the benefit you earn under the new schedule of pay-based credits after the end of your transition period.

Reminder: New, Improved Vesting Period — Now Only Three Years

Effective January 1, 2008, you become vested in your Northrop Grumman pension benefit after completing only three years of vesting service. You begin accruing vesting service according to the provisions of your plan (typically, beginning on the date you become an eligible participant). When you are vested, you have a non-forfeitable right to your benefit.

See page 5 if you are unsure of when your 5-year transition period begins and ends.



* The historical plan benefit you earn during your transition period (your Part B benefit) is based on a formula similar to the one under your historical plan and is subject to modifications in the way your service and compensation are determined. Service and compensation modifications may also affect the calculations of your Part A benefit. Other modifications may also apply; refer to your historical plan SPD for more information.

New Schedule of Pay-Based Credits

The new schedule of pay-based credits for the cash balance formula is shown below. Northrop Grumman provides a “pay-based credit” at the end of each month in which you are paid as a covered employee of a participating business unit for one or more hours of work. The amount of your pay-based credit is a percentage of your total pension-eligible compensation, based on your “points” — your age on the first day of the month *plus* your credited service on the last day of the prior month. If applicable, you also receive an additional pay-based credit for your pay that exceeds the Social Security Wage Base, which is \$102,000 in 2008.

Note about Transition Benefits

If you are eligible to receive a Part B or Part C transition benefit, you will automatically receive this benefit when you retire. You do not have to make any special requests, nor do you have to retire during or at the end of the 5-year transition period to receive the transition benefit.

In addition, if you are eligible for the enhanced early retirement subsidy at your retirement date, this subsidy will apply to your Part C and Part D benefits.

To learn more, refer to the applicable SPDs available on *Benefits OnLine* at <http://benefits.northropgrumman.com>.

NEW SCHEDULE OF PAY-BASED CREDITS

Points (Age + Years of Credited Service)	Pay-based Credit as a Percentage of Total Pension-eligible Compensation	Pay-based Credit as a Percentage of Pay Over Social Security Wage Base
Under 25	3.5%	4.0%
25 – 34	4.0%	4.0%
35 – 44	4.5%	4.0%
45 – 54	5.0%	4.0%
55 – 64	5.5%	4.0%
65 – 74	6.5%	4.0%
75 – 84	7.5%	4.0%
Over 84	9.0%	4.0%

In addition to monthly pay-based credits, Northrop Grumman will continue to provide monthly interest credits to help your benefit grow. So, the longer you stay with Northrop Grumman, the more points you accumulate and therefore the greater your benefit.

To review your current schedule of pay-based credits, access the “Important Pension Information” page available on *Benefits OnLine*.

Access the “Important Pension Information” page on *Benefits OnLine* at <http://benefits.northropgrumman.com>.

When the New Schedule of Pay-Based Credits Is Effective for You

If you are currently participating in the Northrop Grumman Pension Program and have a transition benefit (Part B or Part C), the new schedule of pay-based credits becomes effective at the end of your 5-year transition period.

If you joined Northrop Grumman on or after the date your plan transitioned to the cash balance formula, the new schedule of pay-based credits will become effective July 1, 2008. The following table summarizes the effective dates.

If you...	The new schedule of pay-based credits is effective...
Have a transition benefit (Part B or Part C)*	At the end of your 5-year transition period (see page 5 for details)
Do not have a transition benefit (Part B or Part C)	July 1, 2008

* For RVP participants, transition benefit applies only to IIS transfers who entered the plan on July 1, 2002.

More Information about Your Pension Benefits

For details on your pension plan, go to *Benefits OnLine* at <http://benefits.northropgrumman.com> to find summary plan descriptions (SPDs) and the recent Summary of Material Modifications (SMM) describing a number of administrative changes to your pension plan. You can also call the Northrop Grumman Benefits Center (NGBC) at 1-800-894-4194 to request printed copies of these materials. If you are calling from outside the United States, please call 718-354-1338. Benefits service representatives are available to assist you Monday through Friday from 9:00 a.m. to 6:00 p.m. Eastern time, excluding holidays. If you are hearing impaired, you will need to use a relay service through your TTY/TDD service provider.

We anticipate that you will be able to estimate your Part D cash balance benefit under the new schedule of pay-based credits on *My Benefits Access* by year-end.

If you are thinking about retiring in 2008 and would like to receive an estimate of your total Northrop Grumman accrued pension benefit, along with the applicable retirement and benefit election forms, please call the Northrop Grumman Benefits Center (NGBC). Keep in mind, if you plan to retire, you'll need to apply at least two months prior to (but no more than 90 days before) your intended retirement date.

If you are not considering retirement in 2008, then you do not need to do anything. We'll inform you when your pension plan information is available on *My Benefits Access* and you can calculate your own pension benefit estimates online.

Access the "Important Pension Information" page on *Benefits OnLine* at <http://benefits.northropgrumman.com>.

The 5-Year Transition Period

If you were a participant in the following historical pension plans on the date immediately prior to the beginning of the 5-year transition period, you are eligible for a transition benefit (Part B or Part C). If you are eligible to receive a transition benefit, your Part C benefit will continue to be calculated using the “standard” or “heritage” schedule of pay-based credits, as applicable, through the end of the 5-year transition period. (To determine whether your

Part C transition benefit is calculated under the “standard” or “heritage” schedule of pay-based credits, access the “Important Pension Information” page available on *Benefits OnLine* at <http://benefits.northropgrumman.com>.)

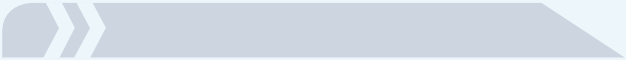
Below you will find the dates that the transition period begins and ends for each historical plan, as well as the effective dates for the new schedule of pay-based credits (as applicable).

Historical Plan	Transition Period	Effective Date of New Schedule of Pay-based Credits for Part D Benefit
Northrop Grumman Pension Plan, including only the following sub-plans: <ul style="list-style-type: none"> ■ Grumman Pension Plan ■ Northrop Grumman Electronic Systems Pension Plan ■ Northrop Grumman Retirement Plan ■ Northrop Grumman Retirement Plan — Rolling Meadows Site ■ Northrop Grumman Retirement Value Plan (RVP)* 	July 1, 2003 through June 30, 2008	July 1, 2008
Northrop Grumman Electronic Systems — Space Division Salaried Employees Pension Plan		
Northrop Grumman Retirement Plan “B,” including only the following sub-plans: <ul style="list-style-type: none"> ■ Avondale Industries, Inc. Non-represented Employees’ Pension Plan ■ Ingalls Shipbuilding, Inc. Salaried Employees Retirement Plan ■ Northrop Grumman Retirement Plan “B” 		
Northrop Grumman Norden Systems Employee Retirement Plan (nonunion plan)		
Newport News Shipbuilding, Inc. Retirement Plan	January 1, 2004 through December 31, 2008	January 1, 2009
Northrop Grumman Norden Systems Represented Employees Retirement Plan (union plan)		
Northrop Grumman Space & Mission Systems Corp. Salaried Pension Plan	January 1, 2005 through December 31, 2009	January 1, 2010
Synoptics employees in Northrop Grumman Retirement Plan “B”**		

* The change in the schedule of pay-based credits for the Part D cash balance benefit applies to all RVP participants; however, only the IIS transfers on July 1, 2002 have a transition benefit.

** Synoptics employees in the Northrop Grumman Retirement Plan “A” on December 31, 2004 transferred to the Northrop Grumman Retirement Plan “B” on January 1, 2005.

Access the “Important Pension Information” page on *Benefits OnLine* at <http://benefits.northropgrumman.com>.



This Benefits Bulletin applies only to participants of the Northrop Grumman Pension Program plans listed on page 5, who are accruing a cash balance benefit under the Program. It provides a summary of important information about your benefits in the Program. This Bulletin is not a summary plan description, but is a summary of material modifications. Complete details about the Program are contained in the legal plan documents that govern plan operation and administration. If there is a discrepancy between the information provided in this Bulletin and the provisions of the plan documents, the plan documents will govern.

Northrop Grumman reserves the right in its sole discretion to suspend and/or reduce future benefit accruals under the Northrop Grumman Pension Program. It also may amend, suspend, withdraw, modify or terminate the Program at any time and for any reason. You will be notified of any significant amendments to the Program.