

Questions and Answers Regarding Pension Changes

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1. What is changing?

There will be a new schedule of pay-based credits for *future* benefit accruals under the cash balance formula (specifically, the “Part D” cash balance benefit). The new schedule is shown below.

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%

This change does **not** impact any prior pension benefit earned, either under a historical pension plan or during the 5-year transition period, if applicable.

2. Is anything else changing?

There are no other changes being made to the Pension Program — just the new schedule of pay-based credits for the Part D cash balance benefit. The Northrop Grumman Pension Program will retain the same features:

- Northrop Grumman pays the entire cost of the plan, you do not make any contributions
- You earn a benefit each month based on your eligible pay (including overtime and bonus), age and years of service. This is called your **pay-based credit**.
- Your benefit grows each month by earning interest, which is called your **interest credit**.
- You have a nonforfeitable right to your benefit after completing three years of vesting service.

3. Why are we making this change?

The Northrop Grumman Pension Program currently provides a greater benefit than most of our peer companies. We've maintained this level of benefit for as long as possible, but now we need to align our program more with what our competition is offering, and better position ourselves for future financial success, while at the same time ensuring that our benefits program is responsive to the changing needs of our current and future employees.

4. How will this change impact my pension benefit?

First, it's important to keep in mind that this change only impacts *future* benefit accruals under the cash balance formula — **benefits accrued prior to the effective date of the change are not impacted.** The impact on future benefit accruals depends on your age and years of service, as well as your current schedule of pay based credits.

If you are currently accruing a benefit under the “**standard**” schedule of pay-based credits, your estimated age 65 benefit will be impacted by the change in pay-based credits as shown in the chart below. (Note that no participants are expected to experience greater than a 10% reduction.)

Age	Years of Service							
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	Over 34
0-24								
25-29								
30-34								
35-39								
40-44								
45-49								
50-54								
55-59								
60-64								
Over 64								

Find your current age and years of service to determine the impact on your estimated age 65 benefit.

Note: This chart presents an estimate only of the total impact on your benefit. In preparing this chart, certain assumptions about pension-eligible pay and interest rates were used. Therefore, the impact on your benefit may vary.

- 15% - 20% reduction in estimated age 65 benefit
- 10% - 15% reduction in estimated age 65 benefit
- 5% - 10% reduction in estimated age 65 benefit
- 1% - 5% reduction in estimated age 65 benefit
- N/A or minimal impact to estimated age 65 benefit
- 1% - 5% increase in estimated age 65 benefit

If you are currently accruing a benefit under the “**heritage**” schedule of pay-based credits, your estimated age 65 benefit will be impacted by the change in pay-based credits as shown in the chart below.

Age	Years of Service							
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	Over 34
0-24								
25-29								
30-34								
35-39								
40-44								
45-49								
50-54								
55-59								
60-64								
Over 64								

Find your current age and years of service to determine the impact on your estimated age 65 benefit.

Note: This chart presents an estimate only of the total impact on your benefit. In preparing this chart, certain assumptions about pension-eligible pay and interest rates were used. Therefore, the impact on your benefit may vary.

- 15% - 20% reduction in estimated age 65 benefit
- 10% - 15% reduction in estimated age 65 benefit
- 5% - 10% reduction in estimated age 65 benefit
- 1% - 5% reduction in estimated age 65 benefit
- N/A or minimal impact to estimated age 65 benefit
- 1% - 5% increase in estimated age 65 benefit

If you continue working beyond age 65, you will continue to accrue a cash balance benefit in the Northrop Grumman Pension Program until you retire.

5. When is the change effective?

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 as shown below:

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" (formerly Litton Retirement Plan "B") 		
Northrop Grumman Norden Systems Employee Retirement Plan (nonunion plan)	N/A	July 1, 2008
Employees who are currently accruing a cash balance benefit and who were hired after the beginning of the transition period for his/her historical plan (and therefore are not eligible for a transition [Part C] benefit)		
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.

As indicated above, if you are not eligible for a transition benefit (Part B or Part C), the new schedule of pay-based credits will become effective July 1, 2008.

6. How do I know whether my current cash balance benefit is calculated using the “standard” or “heritage” schedule of pay-based credits?

Your current schedule of pay-based credits is based on your historical plan and your date of hire, as indicated in the table below.

Hire Date	Historical Plan	Heritage Schedule of Pay-Based Credits	Standard Schedule of Pay-Based Credits	Enhanced Early Retirement Subsidy (Rule of 9)
If you were hired prior to the beginning of the 5-year transition period for your historical plan and are eligible for a transition 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)	Not applicable in most cases ¹		
	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” (formerly Litton Retirement Plan “B”) 		√	√ ²
	Northrop Grumman Norden Systems Employee Retirement Plan (nonunion plan)	√		√
	Newport News Shipbuilding, Inc. Retirement Plan	√		√
	Northrop Grumman Norden Systems Represented Employees Retirement Plan (union plan)		√	
	Northrop Grumman Space & Mission Systems Corp. Salaried Pension Plan		√	√
If you were hired on or after the beginning of the transition period for your historical plan	Synoptics employees in Northrop Grumman Retirement Plan “B” ³		√	√ ⁴
	Employees who are currently accruing a cash balance benefit and who were hired after the beginning of the transition period for his/her historical plan (and therefore are not eligible for a transition [Part C] benefit)		√	

¹ 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 Part C transition benefit. The Part C benefit is based on the heritage schedule of pay-based credits, and participants are eligible for the enhanced early retirement subsidy (Rule of 9).

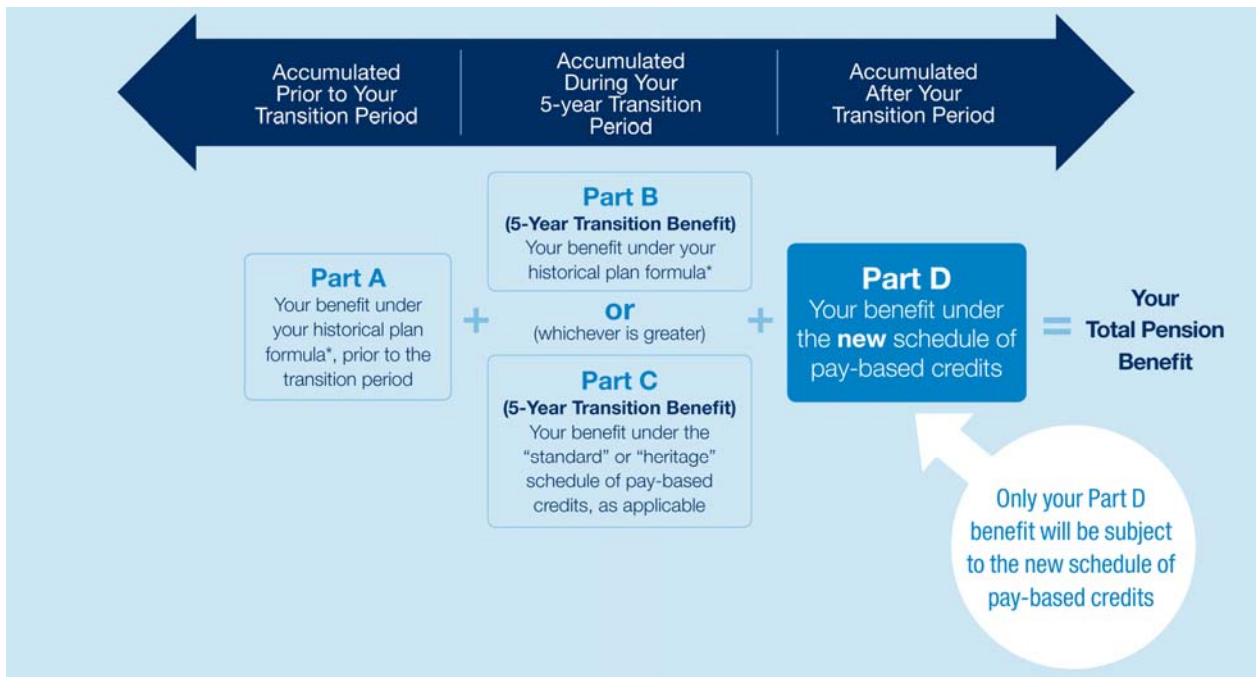
² Only those participants born before July 1, 1958 are eligible for the enhanced early retirement subsidy.

³ 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.

⁴ Only those participants born before January 1, 1960 are eligible for the enhanced early retirement subsidy.

7. I keep hearing about the “Part D” cash balance benefit. What is it, and how does it fit into my overall pension benefit?

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:



* 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.

8. Does this change the early retirement subsidies we currently have?

No, this does not change the early retirement subsidies currently in place — you will continue to have the right to a subsidized early retirement benefit, if eligible. If you are eligible for the enhanced early retirement subsidy (including the Rule of 9), this benefit will not change as part of the change to the new schedule of pay-based credits. To learn more about the enhanced early retirement benefit and Rule of 9, please refer to the Summary Plan Description (SPD) available on line at <http://benefits.northropgrumman.com>.

9. At the end of last year Northrop Grumman sent a summary of material modifications describing changes to my historical plan benefit. Are these changes related? Why does Northrop Grumman keep making changes to the pension plans?

The changes we made to our historical pension plans as communicated at the end of last year are (1) in response to recent pension legislation under the Pension Protection Act and (2) part of our ongoing effort to simplify the plans and administration. The changes we are making to the future cash balance schedule of pay-based credits are not related to the changes communicated at the end of last year.

10. Does Northrop Grumman intend to get rid of the Pension Program? Is this a way to phase it out?

Northrop Grumman does not intend to eliminate the Pension Program for current employees (hired prior to July 1, 2008). However, Northrop Grumman reserves the right to amend, suspend, withdraw, modify or terminate the Program at any time and for any reason.

New employees (and certain rehired employees) will not participate in the Northrop Grumman Pension Program; rather, they will receive an automatic company contribution of 3%-5% of pension-eligible pay per pay period, based on age, to a new retirement account in the Northrop Grumman Savings Plan. This company contribution will be subject to the same three-year vesting period that applies to benefits accrued under the Northrop Grumman Pension Program.

11. What happens if I terminate and rehire after July 1, 2008?

In general, you will not be eligible to participate in the Pension Program upon your rehire, except in the following situations:

- You were laid off, and subsequently return to work within two years of your termination date
- At the time of your termination, you were eligible for early retirement (you were at least age 55 with 10 years of service or age 65 with 5 years of service).

If you are not eligible to participate in the Pension Program upon your rehire, but you are rehired into a pension-eligible position, you will instead receive an automatic company contribution to a new retirement account in the Northrop Grumman Savings Plan (see question 10 for details).

12. What happens if I am on or go on a leave of absence on or after July 1, 2008 (or the date the change is effective for my plan)?

Participants on an official leave of absence from the Company will remain covered under the Pension Program as long as they do not terminate employment. The new schedule of pay-based credits are effective at the end of the applicable transition period (see question 5), and applies to all plan participants, regardless of whether you are on a leave of absence.

13. If I transfer to a new position after the effective date of the change, and I am no longer eligible to accrue a pension benefit, will I instead receive the new company contribution to the Savings Plan?

No. You must be working in a pension-eligible position to receive the new company contribution to the Savings Plan. If you were in such a position, then transferred to an ineligible position, and subsequently transferred back to an eligible position, you would again accrue a pension benefit under the new schedule of pay-based credits for the period of time during which you are covered in a pension-eligible position.

14. If I was hired prior to the effective date of the change but was not eligible to participate in the Pension Program at that time, and I will be transferring to a pension-eligible position on or after the effective date, will I participate in the Pension Program or receive the new company contribution to the Savings Plan?

You will begin participating in the Pension Program with the new schedule of pay-based credits described in question 1.

15. Can I get an estimate of my new benefit amount compared to what my benefit would have been?

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. To see the impact of the change on your benefit, refer to question 4.

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.

16. Do I need to make any elections to get my transition benefit?

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 the 5-year transition period to receive the transition benefit.***

In addition, if you are eligible for the enhanced early retirement subsidy under the cash balance formula, you will continue to be eligible to receive a subsidized early retirement cash balance benefit.

17. Are there any changes to the Northrop Grumman Savings Plan as a result of this pension change?

For current employees, there will be no change. The change to the pension plan does **not** impact your benefit under the Northrop Grumman Savings Plan — current employees will not be offered the automatic company contribution to the new retirement account, as you will continue to receive a benefit in the Northrop Grumman Pension Program. Any applicable company match to your Savings Plan account will continue.

18. Where can I get more information about my pension benefits?

For more information, visit the "Important Pension Information" page available on *Benefits OnLine* at <http://benefits.northropgrumman.com>. You can also call the Northrop Grumman Benefit Center (NGBC) at 1-800-894-4194 to request printed copies. 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.

19. My historical pension plan is the Litton Retirement Plan "B." Why isn't it listed as one of the plans in the Northrop Grumman Pension Program (in questions 5 and 6)?

The Litton Retirement Plan "B" was renamed the Northrop Grumman Retirement Plan "B", which is listed in the tables in questions 5 and 6.

These Questions and Answers apply only to participants in the Northrop Grumman Pension Program plans listed in the answer to question 5. They do not contain all the details of all aspects of the Program. 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 these Q&As 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.