This Fact Sheet is intended to provide a general overview of the LLNS Restoration Plan and is not meant to interpret, extend or change the LLNS Restoration Plan in any way.

You may wish to review this information with the Benefits Office to be sure that you have taken all necessary actions.

Need Help?
Contact the Benefits Office at 925-422-9955 or visit our website at https://benefits.llnl.gov

LLNS Restoration Plan

Fact Sheet

The "LLNS Restoration Plan" ("**Restoration Plan**") is designed to provide supplemental retirement income to certain Employees of Lawrence Livermore National Security, LLC ("**LLNS**") whose retirement benefits under the LLNS Defined Benefit Pension Plan ("**Pension Plan**") are limited by Section 415(b) ("**IRC 415(b) Limit**") of the Internal Revenue Code. The following Questions and Answers provide a general explanation of how the Restoration Plan operates. They will also alert you to certain upfront payroll tax payments that generally become due in the tax year that you have a Separation from Service (see Q&A 11, below).

Questions and Answers

1. What is a Participant's "Benefit Commencement Date" for purposes of the Restoration Plan?

A Participant's Restoration Plan benefits will begin to be paid on the Participant's Benefit Commencement Date. A Participant's "Benefit Commencement Date" is the first day of the calendar month following the *later of* (i) the date the Participant has a "Separation from Service" (see Q&A 11, below) for reasons other than death, or (ii) the date the Participant attains age 60.

2. What is the IRC 415(b) Limit?

Internal Revenue Code Section 415(b) limits the annual dollar amount that the Pension Plan can pay to a Participant. A Participant's after-tax contributions (if any) to the Pension Plan do not count against this limit. The IRC 415(b) Limit is based on several factors, including the Participant's age when the Participant begins receiving Pension Plan benefits. The Internal Revenue Service ("**IRS**") periodically makes cost-of-living adjustments to the IRC 415 (b) Limit. Examples of the annual IRC 415(b) Limit for Participants retiring in 2017 are:

Age	Limit
50	$94,600
55	$133,669
60	$186,862
62+	$215,000

In addition, Section 415(b) limits a Participant's Pension Plan benefit to 100% of the Participant's average compensation for his or her high 3 years, but this average compensation limit rarely applies to Pension Plan Participants.

3. How do Participants in the Pension Plan become Participants in the Restoration Plan?

In order to participate in the Restoration Plan, an Employee must be a participant in the Pension Plan. A Pension Plan participant automatically becomes a Participant in the Restoration Plan if, on the earlier of the Participant's Pension Plan benefit commencement date and the

Participant's Restoration Plan Benefit Commencement Date, the Participant's Pension Plan benefit in the normal single life annuity form is limited by the IRC 415(b) Limit.

4. How are Restoration Plan benefits calculated?

A Participant's Restoration Plan benefit is calculated as of the Participant's Benefit Commencement Date, *whether or not the Participant actually starts his or her Pension Plan benefit on that date.* The Participant's Restoration Plan benefit is determined by using specified actuarial assumptions to establish the difference between the following projected benefits:

a) The projected single life annuity benefit the Participant would receive under the Pension Plan if the Participant's Pension Plan benefit started on the Participant's Benefit Commencement Date and the benefit ***was not limited*** by the IRC 415(b) Limit.

b) The projected single life annuity benefit described in (a) above, calculated as though the benefit ***was limited*** by the IRC 415(b) Limit.

If, on the Participant's Benefit Commencement Date, the Participant already had started to receive his or her Pension Plan benefit due to early retirement from the Pension Plan, additional actuarial calculations are used to increase the Restoration Plan benefit accordingly.

The Restoration Plan's benefit payment calculation uses only compensation that is reimbursable under Contract 44, and does not include after-tax contributions. Due to Internal Revenue Code Section 409A, the Restoration Plan benefit is an *estimated* benefit that won't reflect, exactly, the benefit a Participant could have received under the Pension Plan if the Pension Plan benefit had not been restricted by the IRS Dollar Limit (see Q&A 5 and Q&A 6 below for more information).

5. Can you explain in more detail how Restoration Plan benefits are calculated?

Due to Section 409A of the Internal Revenue Code, private employers like LLNS cannot tie Restoration Plan benefits to actual benefits provided, on an ongoing basis, by another plan such as the Pension Plan. We'll call this the "Straightforward Restoration Approach." Consequently, in order to comply with Code Section 409A, Restoration Plan benefits are established on a Participant's Benefit Commencement Date (see Q&A 1, above), and cannot be adjusted thereafter based on actual Pension Plan benefit amounts. The Restoration Plan provides for a smooth pattern of benefits that never decreases and increases only due to annual cost-of-living increases ("COLAs").The Restoration Plan calculates this smoothed benefit value as follows: First, a projection is prepared of the annual Pension Plan benefit amounts and corresponding restoration amounts that would be required if LLNS could follow the Straightforward Restoration Approach described above. The projection is done at the time you begin your Pension Plan benefits, or Restoration Plan benefits, depending on which occurs first. Then, the actuarial equivalent lump sum present value of these payments for the Participant's lifetime is determined based on interest and mortality assumptions prescribed in the Restoration Plan. This lump sum value is converted to an actuarial equivalent, nondecreasing single life annuity (with expected COLAs) payable for life. Finally, this single life annuity amount is increased, if necessary, to reflect any delay from the Pension Plan benefit commencement date to the Restoration Plan Benefit Commencement Date, to obtain the Restoration Plan single life annuity benefit amount as of the Participant's Restoration Plan Benefit Commencement Date.

6. Will the amounts of a Participant's monthly Pension Plan and Restoration Plan benefit payments always add up to the full monthly benefit the Participant would have received if the Pension Plan were not subject to the IRC 415(b) Limit?

Generally, no; they will add up to less in the initial years of a Participant's retirement, and add up to more in later years. This is because of the smoothing aspect of the Restoration Plan benefit calculation methodology discussed in Q&A 5, above. If LLNS were permitted to calculate Restoration Plan benefits using a Straightforward Restoration Approach with ongoing adjustments, as discussed in Q&A 5, then the two payments would add up to the full total benefit in every month. However, under this Straightforward Restoration Approach, the amount of restoration benefits would generally decrease over time, until reaching $0. There are two key reasons for this: First, the Social Se-

curity Supplement for which a Participant may be eligible from the Pension Plan, and which is the first benefit restricted by the IRC 415(b) Limit, stops at age 65. Second, under the assumptions prescribed by the Restoration Plan (3% annual increases in the IRC 415(b) Limit, and 2% annual Pension Plan COLAs), the IRC 415(b) Limit will eventually "catch up" to a Participant's total benefit, until the full, unrestricted benefit is payable from the Pension Plan, and no benefit is remaining to be restored.

In the Restoration Plan, however, the smoothed benefit can never decrease, and can never stop as long as the Participant (or contingent annuitant, if applicable) is alive (see Q&A 15, below). Therefore, it is expected that in the future a Participant's (or contingent annuitant's) benefits will reach a point where the Participant (or contingent annuitant) is receiving a benefit from the Pension Plan, without any restriction due to the IRC 415(b) Limit, yet the Participant (or contingent annuitant) will still be receiving a Restoration Plan benefit.

7. Will the amount of a Participant's Restoration Plan benefit always remain the same?

No. As discussed in Q&A 6, during a Participant's lifetime, the amount a Participant receives from the Restoration Plan will ***not decrease***. The amount will, however, ***increase*** based on cost-of-living increases. These cost-of-living increases will be provided in the same manner as relevant cost-of-living increases are provided under the Pension Plan.

8. Do Restoration Plan benefits begin at the same time Pension Plan benefits begin?

Not necessarily. Due to IRS requirements, benefit payments from the Restoration Plan must begin on a "fixed" Benefit Commencement Date (defined in Q&A 1, above). Benefit payments from the Pension Plan are not subject to a "fixed" benefit commencement date. In addition, the special definition of Separation from Service (see Q&A 11, below) for purposes of the Restoration Plan does not apply to the Pension Plan. Consequently, benefit payments under the Restoration Plan may begin at a different time than benefit payments under the Pension Plan.

9. How will Restoration Plan benefits be paid?

Restoration Plan benefits will be paid in a separate check, as a monthly, "single life" annuity for the Participant's lifetime. Instead of receiving such a "single life" annuity, the Participant may irrevocably elect to receive payment in the form of an actuarially equivalent joint and contingent annuity. Joint and contingent annuities provide a smaller benefit for the Participant's lifetime, and a death benefit for the Participant's contingent annuitant if the Participant's contingent annuitant survives the Participant.

10. Can a Participant elect a payment method from the Restoration Plan that is different from the payment method the Participant elects under the Pension Plan?

Yes. The payment method a Participant elects for Restoration Plan benefits is independent of the payment method the Participant elects for Pension Plan benefits.

11. How does the Restoration Plan define "Separation from Service?"

For purposes of determining a Participant's Benefit Commencement Date under the Restoration Plan, a "Separation from Service" occurs when the Participant terminates employment with LLNS and all companies linked to LLNS by an 80% or greater chain of ownership. Generally, *for purposes of the Restoration Plan*, a Participant will be presumed to have a Separation from Service if the Participant's services (as an employee and/or an independent contractor) decrease to 20% or less of the Participant's prior level of services.

12. Is there any additional federal tax and benefit information a Participant should be aware of?

Outlined below are some important considerations regarding federal taxation of Restoration Plan benefits. Participants should consult their tax advisors regarding state and federal taxation of these benefits.

- Ordinary Income. Restoration Plan benefits are taxed as ordinary income and will be reported annually on Form W-2.

- No Rollover. Restoration Plan benefits are not eligible for rollover.

- FICA Taxes. Restoration Plan benefits are subject to Social Security and Medicare (FICA) taxes. IRS regulations require that, once the value of a Participant's benefits under the Restoration Plan can be calculated with reasonable certainty, the Participant must pay FICA taxes on the present value of his or her Restoration Plan benefits. This generally means that a Participant in the Restoration Plan must pay FICA taxes on the present value of his or her Restoration Plan benefits in the tax year in which the Participant has a Separation from Service (defined in Q&A 11, above). Depending on whether you have reached the applicable FICA wage limit for the year, you may only have to pay the Medicare portion of FICA. Please note that, unlike ordinary income taxes, which are paid each year based on benefits paid in that year, this FICA tax is a one-time payment.
- Social Security Earnings Test. Restoration Plan benefits are not considered "wages" that would be subject to the annual Social Security earnings test and therefore do not affect the payment of Social Security benefits. Restoration Plan benefits are made on account of retirement, not for employment services rendered in the year of payment.

13. Are Restoration Plan benefits vested?

The Restoration Plan generally provides that a Participant in the Restoration Plan is vested in Restoration Plan benefits only to the extent the Participant is vested in a "Basic Retirement Income" within the meaning of the Pension Plan.

14. How is the Restoration Plan funded?

Benefits under the Restoration Plan constitute an unfunded, unsecured promise to pay benefits in the future. The Restoration Plan has no assets or income held in trust.

15. What happens if a Participant dies while receiving Restoration Plan benefits?

If the Participant elected a "single life" annuity form of payment, no benefits will be payable to anyone from the Restoration Plan after the Participant's death. If the Participant elected a joint and contingent annuity and the Participant's contingent annuitant survives the Participant, the contingent annuitant will receive a lifetime survivor benefit from the Restoration Plan.

16. May I request a Restoration Plan benefit estimate?

Attached, for informational purposes, are Restoration Plan benefit estimates for two hypothetical Restoration Plan Participants. These do not include estimates for the FICA payments you may be required to make at the time you elect retirement benefits. We recognize that Employees may want a customized estimate of their Restoration Plan benefit (if any) prior to their Benefit Commencement Date. When you are within 12 months of your anticipated Separation from Service, you may contact the Benefits Office to request a calculation.

If you would like further information, or you would like to receive a copy of the Restoration Plan document, please contact the Benefits Office at (925) 422-9955.

Restoration Plan

Sample Annual Payments
Hypothetical Participant: Age 58 Retirement

Annual pension plan benefit without Section 415 limit: $190,000 (plus Social Security Supplement of $1,243)
Annual pension as limited by Section 415 in 2015: $161,546 (plus Social Security Supplement of $0)
Total Present Value of Restoration Plan Benefit: $194,632
Restoration Plan Benefit: $194,632 / 13.365592 (annual single life annuity factor) x 1.210524 (deferral factor) = $17,628

Sample payments for the first 30 years

Year	Age	Straightforward Approach Payments	LLNS Restoration Plan Payments
2015	58	$29,697	$0
2016	59	28,675	0
2017	60	27,584	17,628
2018	61	26,423	17,980
2019	62	25,188	18,340
2020	63	23,875	18,707
2021	64	22,483	19,081
2022	65	19,765	19,462
2023	66	18,203	19,852
2024	67	16,551	20,249
2025	68	14,806	20,654
2026	69	12,964	21,067
2027	70	11,020	21,488
2028	71	8,972	21,918
2029	72	6,815	22,356
2030	73	4,544	22,803
2031	74	2,156	23,259
2032	75	0	23,725
2033	76	0	24,199
2034	77	0	24,683
2035	78	0	25,177
2036	79	0	25,680
2037	80	0	26,194
2038	81	0	26,718
2039	82	0	27,252
2040	83	0	27,797
2041	84	0	28,353
2042	85	0	28,920
2043	86	0	29,499
2044	87	0	30,089

Restoration Plan

Sample Annual Payments
Hypothetical Participant: Age 60 Retirement

Annual pension plan benefit without Section 415 limit: $215,000 (plus Social Security Supplement of $1,400)
Annual pension as limited by Section 415 in 2015: $184,964 (plus Social Security Supplement of $0)
Total Present Value of Restoration Plan Benefit: $192,730
Restoration Plan Benefit: $192,730 / 12.879658 (annual single life annuity factor) x 1.000000 (deferral factor) = $14,964

Sample payments for the first 30 years

Year	Age	Straightforward Approach Payments	LLNS Restoration Plan Payments
2015	60	$31,436	$14,964
2016	61	30,212	15,263
2017	62	28,909	15,568
2018	63	27,523	15,880
2019	64	26,052	16,197
2020	65	23,091	16,521
2021	66	21,438	16,852
2022	67	19,688	17,189
2023	68	17,838	17,533
2024	69	15,883	17,883
2025	70	13,820	18,241
2026	71	11,644	18,606
2027	72	9,352	18,978
2028	73	6,937	19,357
2029	74	4,396	19,745
2030	75	1,724	20,139
2031	76	0	20,542
2032	77	0	20,953
2033	78	0	21,372
2034	79	0	21,800
2035	80	0	22,236
2036	81	0	22,680
2037	82	0	23,134
2038	83	0	23,597
2039	84	0	24,068
2040	85	0	24,550
2041	86	0	25,041
2042	87	0	25,542
2043	88	0	26,053
2044	89	0	26,574