

# LLNS RESTORATION PLAN PLAN SUMMARY

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 Internal Revenue Code Section 415(b) (Section 415(b)). Section 415(b) limits the amount of pension benefits payable from qualified pension plans, including the LLNS Pension Plan.

Note: Your Pension Plan benefit may also be limited by Internal Revenue Code Section 401(a)(17) (Section 401(a)(17)). This plan does *not* provide benefits if your Pension Plan benefit is limited by Section 401(a)(17).

## ELIGIBILITY AND PARTICIPATION

### Eligibility and Participation

You must be a participant in the Pension Plan in order to participate in the Restoration Plan. You automatically become a participant in the Restoration Plan if your Pension Plan benefit in the single life annuity form is limited by the Section 415(b) limit on your Benefit Commencement Date.

### Vesting

You are vested in the Restoration Plan if you are vested in the Pension Plan.

### Section 415(b)

Section 415(b) limits the annual dollar amount that the Pension Plan can pay to you. After-tax contributions to the Pension Plan are not included in this limit. The Section 415(b) limit is based on several factors, including your age when you begin receiving Pension Plan benefits. Examples of the annual Section 415(b) limit for participants retiring in 2023 are in the table below. In addition to the limits in the table, Section 415(b) limits Pension Plan benefits to 100% of the average compensation for the highest 3 years.

<u>Age</u>	<u>Limit</u>
50	\$116,600
55	\$166,443
60	\$231,081
62 to 65	\$265,000

The Internal Revenue Service (“IRS”) periodically makes cost-of-living adjustments (COLA) to the Section 415(b) limit.

### Section 401(a)(17)

Section 401(a)(17) limits the annual dollar amount of compensation that the Pension Plan can use to determine Pension Plan benefit. The limit for 2023 is \$330,000. This Restoration Plan **does not** include

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compensation above the 401(a)(17) limit. Please note that eligible compensation earned above the 401(a)(17) limit is not subject to the current 7% after-tax pension contribution.

Year	401(a)(17) Limit
2020	\$285,000
2021	\$290,000
2022	\$305,000
2023	\$330,000

### Separation from Service

For purposes of determining your Benefit Commencement Date under the Restoration Plan, a Separation from Service occurs when you terminate employment with LLNS and any other companies within its Controlled Group. (The Controlled Group includes LLNS and any company under at least 80% common ownership with LLNS.) Generally, for purposes of the Restoration Plan, you will be presumed to have a Separation from service if your service (as an employee and/or an independent contractor) decrease to 20% or less of your prior level of services.

### Benefit Commencement Date

Your Benefit Commencement Date is the first day of the calendar month following the *later of* (i) the date you have a Separation from Service for reasons other than death, or (ii) the date you attain age 60. Your Restoration Plan benefits begin on your Benefit Commencement Date.

Due to IRS requirements, benefit payments from the Restoration Plan must begin on a “fixed” Benefit Commencement Date, whereas benefit payments from the Pension Plan are not subject to a “fixed” Benefit Commencement Date. In addition, the special definition of Separation from Service 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.

## RESTORATION PLAN BENEFIT

The Restoration Plan benefit is calculated as of your Benefit Commencement Date, whether or not the benefit actually starts on that date. The 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 that you would receive under the Pension Plan if your Pension Plan benefit started on your Benefit Commencement Date and the benefit **was not limited** by the Section 415(b) limit.
- b) The projected single life annuity benefit described in (a) above, calculated as though the benefit **was limited** by the Section 415(b) limit.

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If, on the Benefit Commencement Date, you already started to receive your Pension Plan benefit due to early retirement from the Pension Plan, additional actuarial calculations are used to increase the Restoration Plan benefit accordingly.

During your lifetime, the amount you receive from the Restoration Plan will not decrease. Instead, the amount will increase based on COLAs. These COLAs will be provided in the same manner as COLAs are provided under the Pension Plan.

The Restoration Plan's benefit payment calculation uses only compensation that is reimbursable under Contract 44 and does not include your after-tax contributions. Due to Internal Revenue Code Section 409A (Section 409A), the Restoration Plan benefit is an estimated benefit that will not reflect the exact benefit you could have received under the Pension Plan if the Pension Plan benefit had not been restricted by the IRS dollar limit.

### **Section 409A**

Due to Section 409A, 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. Consequently, in order to comply with Section 409A, Restoration Plan benefits are established on your Benefit Commencement Date and cannot be adjusted thereafter based on actual Pension Plan benefit amount. The Restoration Plan provides for a smooth pattern of benefits that never decreases and increases only due to annual 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 Plan amounts that would be required if LLNS could tie the benefit to the Pension Plan. The projection is done at the time Pension Plan benefits or Restoration Plan benefits begin, depending on which occurs first.
- Then, the actuarial equivalent lump sum present value of these payments for your lifetime is determined based on interest and mortality assumptions prescribed in the Restoration Plan. This lump sum value is converted to an actuarial equivalent, 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 your Restoration Plan Benefit Commencement Date.

### **Funding**

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.

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## RESTORATION PLAN PAYMENTS

Restoration Plan benefits will be paid in a separate check, as a monthly, single life annuity for your lifetime. Instead of receiving a single life annuity, you 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 your lifetime, and a death benefit for your contingent annuitant if your contingent annuitant survives you. The payment method you elect for Restoration Plan benefits is independent of the payment method you elect for Pension Plan benefits.

Upon your death, if you elected a single life annuity form of payment, no benefits will be payable to anyone from the Restoration Plan. If you elected a joint and contingent annuity and your contingent annuitant survives you, your contingent annuitant will receive a lifetime survivor benefit from the Restoration Plan.

### Taxes

Outlined below are some important considerations regarding federal taxation of Restoration Plan benefits. You should consult your 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.

### FICA Taxes

Restoration Plan benefits are subject to Social Security and Medicare, including the Additional Medicare Tax (FICA) taxes. IRS regulations require that, once the value of the Restoration Plan can be calculated with reasonable certainty, FICA taxes must be paid on the present value. This generally means that FICA taxes on the present value must be paid in the tax year in which there is a Separation from Service. Depending on whether you have reached the applicable Social Security wage limit for the year, you may only have to pay the Medicare portion of FICA including the Additional Medicare Tax. Unlike ordinary income taxes, which are paid each year based on benefits paid in that year, this FICA tax is a one-time payment based on the entire present value of the benefit.

### 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 considered retirement income, not for employment services rendered in the year of payment.

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### FOR MORE INFORMATION

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

### Benefit Estimate

You may log on to <https://ypr.aon.com/livermore/> and create your own Pension Plan estimate. If you are eligible for the Restoration Plan, the calculation will appear as part of your estimate or you may contact the LLNS Pension Center at 866-655-9587 to request an estimate. Below, 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.

This plan summary describes highlights of the LLNS Restoration Plan. The official Plan document governs and controls all rights and benefits in case of any conflict with the explanations given in this plan summary or in any other oral or written statements made by the Plan Administrator or any individual with real or apparent authority in maintaining the Plan. Some terminology in this plan summary differs from that in the Plan document. If you would like to examine the Plan documents or ask questions about the Plan, contact your Plan Administrator.

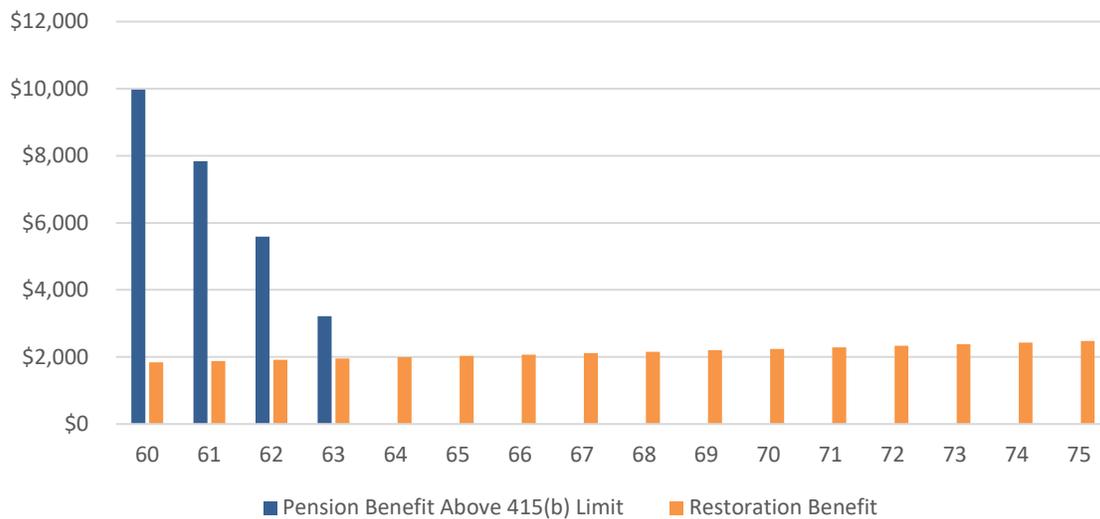
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**Hypothetical Participant:**

Benefit Commencement Date (BCD)	1/1/2023
Age as of BCD	60.0000
Highest Average Compensation (HAPC)	\$24,444
Credited Service as of BCD	34.9988

(A)	Annual Qualified Benefit without Section 415(b)	\$241,056
(B)	Annual Qualified Benefit with Section 415(b)	\$231,081
(C)	Actuarial Present Value of Pension Plan benefit without Section 415(b)	\$3,091,551
(D)	Actuarial Present Value of Pension Benefit with Section 415(b)	\$3,067,862
(E)	Present Value of Restoration Plan Benefit: (C) - (D)	\$23,689
(F)	Deferred-to-Age 60 Annuity Factor	12.8797
(G)	Starting Annual Benefit for Restoration Plan: (E) ÷ (F)	\$1,839

### Illustrative Restoration Plan Benefits for Age 60 Retirement



**Comments:**

- The estimated Pension Plan benefit in excess of IRC 415(b) will generally decrease over time as the Social Security supplement stops at 65 and assumed Cost-of-living Adjustments are smaller than assumed 415(b) limit increases (2% vs 3% per year).
- The Restoration Plan benefit is not recalculated every year. It is assumed to increase annually for Cost-of-Living Adjustments (2%).
- The Actuarial Present Value at age 60 of the blue bars is \$23,689. Similarly, the Actuarial Present Value at age 60 of the orange bars (payable for life) is \$23,689.
- Restoration Plan benefits are non-decreasing
- Annual qualified benefits shown above are net of employee contributions