Part A Supplement to the Huntington Ingalls Industries Cash Balance Program

Summary Plan Description

Avondale Industries, Inc. Non-Represented Employees Pension Plan for Shipyard Employees

2014
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Introduction

As described in the Introduction of the Huntington Ingalls Industries Cash Balance Program Summary Plan Description (SPD), effective March 31, 2011, in connection with the spin-off of Huntington Ingalls Industries, Inc. (HII) from Northrop Grumman, HII established retirement plans substantially similar to the plans maintained by Northrop Grumman.

The Avondale Industries, Inc. Non-Represented Employees Pension Plan ("Plan") is one of these plans. As a result, this Part A Supplement ("Supplement") to the SPD contains historical provisions and some of the terms have a different meaning before and after the March 31, 2011 spin-off. For reference, in this Supplement, the terms "Cash Balance Program" or "Program" mean the Northrop Grumman Cash Balance Program before March 31, 2011 and Huntington Ingalls Industries Cash Balance Program on and after such date. Likewise, "Company" means Northrop Grumman Corporation before March 31, 2011 and Huntington Ingalls Industries, Inc. on and after March 31, 2011.

On July 1, 2003, the Avondale Industries, Inc. Non-Represented Employees Pension Plan (the "Plan") was adopted, and included a cash balance feature. If you were employed before July 1, 2003, you may have accrued a benefit under the Avondale Industries, Inc. Pension Plan. Your benefit under the Avondale Industries, Inc. Pension Plan, using your compensation and service through June 30, 2003, provides the basis for one component of your Company-provided pension benefit. See the Avondale Industries, Inc. Pension Plan SPD for details.

If you were accruing a benefit under the Avondale Industries, Inc. Pension Plan as a nonunion Avondale Shipyard employee on June 30, 2003, then you automatically transferred to this Plan on July 1, 2003. In addition to providing your benefits based on service on and after July 1, 2003, this Plan provides you with a benefit using the Avondale Industries, Inc. Pension Plan formula for your service through June 30, 2003 and your compensation increases after June 30, 2003.

Note: If you were a nonunion Avondale Shipyard employee on June 30, 2003, but were not a participant of the Avondale Industries, Inc. Pension Plan due to the one-year waiting period, then you automatically became a participant in this Plan on July 1, 2003, and you are eligible for a Part A benefit based on your applicable pre-July 1, 2003 benefit service.

This Supplement to the Cash Balance Program SPD describes the Part A benefit, including certain aspects of the benefit that changed as of July 1, 2003. This Supplement, combined with the Cash Balance Program SPD, serves as the SPD for the Plan.

Participants who were hired on or after July 1, 2003 or who transferred to the Plan after July 1, 2003 are not eligible for the Part A benefit described in this SPD Supplement; instead, you are eligible for a benefit under the Cash Balance Program. For details, see the Cash Balance Program SPD. This SPD Supplement does not apply to you.

You may also be entitled to a separate benefit under the Avondale Industries, Inc. Pension Plan. See the applicable Avondale Industries, Inc. Pension Plan SPD for details.

For additional information on participation and eligibility, please see the Cash Balance Program SPD, go to HII Benefits Connect at http://hiibenefits.com and click on the Your
Benefits Resources button, or call the Huntington Ingalls Benefits Center (HIBC) at 1-877-216-3222. If you are calling from outside the United States, please call 408-916-9765. You will need your password to secure your call. 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.

Huntington Ingalls Industries, Inc. reserves the right to suspend and/or reduce benefit accruals under the Avondale Industries, Inc. Non-Represented Employees Pension Plan. It also may amend or terminate the Plan at any time. You will be notified of any significant amendments to the Plan.

This Supplement is a summary of the main features of the Plan's Part A benefit. It presents a summary only and does not contain all the details of all aspects of the Plan. It is not an official Plan document, and neither the Plan documents nor this Supplement constitute an implied or expressed contract of employment.

The actual terms of the Plan are contained in the Plan document, which is available from the HIBC.

The official Plan text and trust agreement govern the operation of the Plan and payment of all benefits. In the event of any ambiguity in or omission from this Supplement, or any conflict between this Supplement and the official Plan text and trust agreement, the official Plan text and trust agreement govern.

Huntington Ingalls Industries (also referred to as the “Company” in this Supplement) refers to Huntington Ingalls Industries, Inc. and its 80%-owned subsidiaries and affiliates.
Your Benefit at Retirement

The Plan was set up on July 1, 2003 to provide transition and cash balance benefits. Along with other plans that adopted the cash balance feature, the Plan is part of the Cash Balance Program. If you were employed before July 1, 2003, you may also have accrued a benefit in the Avondale Industries, Inc. Pension Plan.

- If your employment ended prior to July 1, 2003, you are eligible only for the Avondale Industries, Inc. Pension Plan benefit. This SPD Supplement does not apply to you.
- If you were an active nonunion Avondale Shipyard employee on June 30, 2003, you automatically transferred to this Plan on July 1, 2003. Your pension benefit may include the components shown below, depending on your termination date. This SPD Supplement describes the Part A benefit only. For information about Parts B, C, and D, please refer to the Cash Balance Program SPD.

\[
\text{Part A} + \text{Part B} + \text{Part C} + \text{Part D} = \text{Your Pension Benefit}
\]

- If your employment began on or after July 1, 2003, you are eligible only for a Part D cash balance benefit effective from your Plan entry date. For details about that benefit, please refer to the Cash Balance Program SPD. This SPD Supplement does not apply to you.
- If you transferred to this Plan from the Avondale Industries, Inc. Pension Plan after July 1, 2003, your benefit based on your service through your date of transfer and your compensation through your date of termination is payable from the Avondale Industries, Inc. Pension Plan. This SPD Supplement does not apply to you.

* If you were a nonunion Avondale Shipyard employee on June 30, 2003, but you were not a participant of the Avondale Industries, Inc. Pension Plan due to the one-year waiting period, your Part A benefit is equal to your benefit under the Avondale Industries, Inc. Pension Plan formula using service as of June 30, 2003 and compensation through your date of termination.
Overview

Eligibility

Non-represented employees of the following participating entities are eligible to participate in the Plan:

- Avondale Industries, Inc., effective October 1, 1985
- Avondale Gulfport Marine, Inc., effective July 2, 1988
- Avondale Industries of New York, Inc., effective July 1, 1989
- Avondale Transportation Co., Inc., effective July 1, 1989

The following types of employees are not eligible to participate in the Plan:

- Employees of an NG Ships Systems entity other than Avondale Services Corporation
- Employees covered by a collective bargaining agreement that does not provide for participation
- Leased employees
- Nonresident aliens (non-U.S. citizens who reside abroad)
- Employees on international payrolls
- Individuals not treated as common law employees on payroll records
- Service Contract Act employees.

If you have a question about your eligibility, call the HIBC at 1-877-216-3222.

Participation

If you were an active Avondale Shipyard employee on June 30, 2003, you automatically transferred to and began participating in the Plan on July 1, 2003.

If you were employed on June 30, 2003 but were not yet a participant in the Avondale Industries, Inc. Pension Plan because you had not met the eligibility requirements of that plan, you automatically became a participant in this Plan on July 1, 2003.
Important Pension Concepts

The following basic pension plan concepts are necessary to understand the Plan’s Part A benefit. For information about other benefit components for which you may be eligible, please refer to the Cash Balance Program SPD.

Hours of Service

You earn an hour of service for each hour for which you are paid (or are entitled to be paid) by the Company while actively at work and during certain periods away from work, including vacation, holiday, illness, disability, layoff, jury duty, or a leave of absence (note that for periods when you are away from work, no more than 501 hours will be counted). You will receive credit for eight hours a day for each day you are on a qualifying military leave, provided that you return to active employment within five years of the beginning of your leave and within 90 days of an honorable discharge, or if you die while on a qualifying military leave.

If you are a leased or contract employee, you will receive credit toward your hours of service for each hour for which you are paid (or are entitled to be paid) upon providing applicable documentation.

Years of Vesting Service

Vesting means you have earned a non-forfeitable right to your Plan benefit. Vesting service is used to determine if you have a right to a vested or deferred vested benefit (see “Deferred Vested Benefits”). Generally, your vesting service includes employment with any member of the Company, subject to legal limitations. If you need help determining if your business unit is part of the Company, call the HIBC.


For service on or after January 1, 2004*: You earn a year of vesting service for each calendar year in which you complete 1,000 or more hours for which you are paid (or are entitled to be paid) by the Company. If you do not have 1,000 or more hours of vesting service in a calendar year, you do not earn a year of vesting service for that year. However, you may earn vesting service if you are not actively at work but are on:

- An approved medical leave of absence (for up to two years)
- A qualifying military leave of absence, provided you return to active status within five years of the start of the leave and within 90 days after an honorable discharge
- An unpaid leave of absence (you receive credit during the first 12 months of your leave, but only to the extent necessary to prevent a break in service)
- A parental absence (during either the year of the leave or the year following the leave, as needed, but only to the extent necessary to prevent a break in service).
You become vested in your benefit under this Plan as follows:

- **If you terminate on or after January 1, 2008:** You are vested in your Company-provided benefit after completing three years of vesting service.
- **If you terminated on or after January 1, 1989 through December 31, 2007:** You are vested in your Company-provided benefit after completing five years of vesting service.
- **If you terminated prior to January 1, 1989:** You are vested in your Company-provided benefit after completing ten years of service.

* If you were on a leave of absence on July 1, 2003, and remained on a leave of absence until after December 31, 2003, these provisions apply to you from the date you return to work, subject to transition rules.

**Part A Benefit Service**

**For service through June 30, 2003**: Benefit service is used to determine the amount of your Part A benefit and is equal to your benefit service under the Avondale Industries, Inc. Pension Plan as of June 30, 2003. Refer to the Avondale Industries, Inc. Pension Plan SPD for more information on your benefit service as of June 30, 2003.

* If you were on a leave of absence on June 30, 2003 and you did not incur a termination of employment prior to your return to work, your Part A benefit is based on benefit service through the date you return to work.

**For service beginning July 1, 2003:** No benefit service is earned for the Part A benefit on or after July 1, 2003 (with the exception of participants on a leave of absence on June 30, 2003, as described above).

**Early Retirement Eligibility Service**

Early retirement eligibility service is used to determine your eligibility for the early retirement benefits offered under the Plan. Early retirement eligibility service for your Part A benefit is determined as follows:

- Your early retirement eligibility service is equal to your benefit service calculated under the Avondale Industries, Inc. Pension Plan as of December 31, 2003.
- Beginning January 1, 2004, you earn a year of early retirement eligibility service for each calendar year in which you complete 1,000 or more hours for which you are paid (or are entitled to be paid) by the Company.
- Your early retirement eligibility service after December 31, 2003, will be counted toward your eligibility to retire early under the Part A benefit and to receive an early retirement subsidy for your Part A benefit. If you are eligible for an early retirement subsidy, that subsidy will be included in your Part A benefit calculation. See “Early Retirement” for details.

**Breaks in Service**

A break in service is a period during which you complete less than 501 hours of vesting service in a calendar year (or Employment Year prior to July 1, 2003).
If You Are Not Vested
If you experience five consecutive break-in-service years before you are vested:

- You forfeit your benefit under the Plan, and
- You will be treated as a new hire upon subsequent rehire. You will accrue a new benefit (under the cash balance formula if rehired on or after July 1, 2003), and your prior years of service and benefit service will not be included in your service earned under the new employment period.

If you are not fully vested and your break in service is less than five years, your years of vesting and benefit service prior to your break in service will be restored upon your rehire.

If You Are Vested
If you are vested and experience a break in service (regardless of the number of break-in-service years), your vesting and benefit service prior to your break in service will be restored after you complete one year of benefit service following your rehire.

If You Are on FMLA Leave
If you are on an approved Family and Medical Leave Act (FMLA) Leave of Absence, you may not incur a break in service. To keep from incurring a break in service, you can receive credit for up to 501 hours of service. Your hours of service for this purpose are equal to the amount you would have received if you had continued working. If that number cannot be determined, you receive eight hours for each day you are absent, up to a maximum of 501 hours of service, but you do not earn vesting service, benefit service, or early retirement eligibility service during this period. Hours of service for this purpose are usually credited during the calendar year in which your FMLA began. However, if you do not need the hours of service to prevent a break in service during that year, the hours of service are credited toward the following calendar year.

Final Average Earnings
For pension purposes, your final average earnings (FAE) is:

- If you terminate on or after January 1, 2006: The average of your five consecutive highest paid years with the Company after 1996.
- If you terminated prior to January 1, 2006: The average of your five consecutive highest paid years during the last ten years in which you were an eligible employee.

Years in which you do not receive compensation (e.g., due to a break in service) are not counted toward the average. If you have less than five consecutive years of compensation prior to your termination, your FAE is based on your average annual compensation for all years of employment.

Compensation In Your Year of Rehire
If you are an employee of the Company on January 1, 2010 and you were rehired by the Company in any plan year beginning on or after January 1, 2004, your pension-eligible compensation for such partial year of rehire is annualized as follows in determining your FAE for your Part A* and Part B benefit under the Plan:

In General
Compensation in the Plan Year of rehire is annualized and equals the sum of the following:
The amount of compensation actually paid to you during the Plan Year of rehire; plus
Your daily rate of pay multiplied by the number of days in the Plan Year before your
date of rehire with the Company.

Special rules apply if you are rehired as a part-time employee or you terminate and rehire in
the same Plan Year. If you need further information on these rules, call the HIBC at 1-877-
216-3222.

Freeze on Compensation Earned at AMSEC LLC
If you voluntarily transfer to AMSEC LLC (“AMSEC”) on or after February 1, 2008, compensation
earned at AMSEC will not be taken into account for purposes of determining your FAE for your
Part A* and Part B benefit under the Plan.

(Note: The Part A* benefit provides you with an additional benefit using the Avondale
Industries, Inc. Pension Plan formula to account for increases in your compensation after
June 30, 2003. Participants who were hired on or after July 1, 2003 are not eligible for a Part
A* benefit, although if you were rehired by the Company, special provisions may apply.)

If you voluntarily transferred to AMSEC before February 1, 2008, compensation earned at
AMSEC on and after April 1, 2008 will no longer be taken into account for purposes of
determining your FAE for your Part A* and Part B benefit under the Plan. This means the Plan
will no longer recognize your compensation earned at AMSEC after March 31, 2008 for
purposes of determining your Plan benefits.

Freeze on Compensation Earned After Rehire
If you terminate employment and are rehired on or after January 1, 2009, compensation
earned on and after your rehire date will not be taken into account for purposes of
determining your FAE for your Part A* and Part B benefit upon retirement.

Pension-Eligible Compensation

For FAE earnings prior to January 1, 2004, the definition of pension-eligible compensation
for FAE purposes includes your monthly base wages* in effect on July 1 of each year, plus
any pre-tax contributions to a Company-sponsored 401(k) or 125 plan.

The following items are not included in pension-eligible compensation:

- Bonuses
- Overtime pay
- Shift differentials
- Severance pay
- Imputed income or other non-cash compensation
- Contributions or benefits under this Plan, the Performance Share Plan, the Stock
  Appreciation Plan, or any other employee benefit plan
- Reimbursed expenses.

The above is only a partial listing of pay components that are included in and excluded from
pension-eligible compensation. The complete list is contained in the legal Plan document.
* If you are an hourly employee who works at least 2,080 hours per year, your basic hourly rate of pay on July 1 is used to determine your compensation. Your hourly rate is multiplied by 2,080 hours, and then divided by 12 months to obtain the monthly rate. For commission-based, temporary, and part-time employees, your monthly compensation is your compensation for the previous year divided by 12, unless you were not in active or paid leave status for the entire year. In that case, your actual compensation is multiplied by the ratio of the number of calendar days in the year divided by the number of days you were in active status or on paid leave, and then divided by 12.

_for FAE earnings beginning January 1, 2004_, please see the “Pension-Eligible Compensation” section of the Cash Balance Program SPD for information. Annual earnings are divided by 12 before calculating your FAE.

**Compensation in Your Year of Termination**

How compensation is determined in your year of termination depends on when your employment ends.

**If your employment ended before January 1, 2004:** Your compensation in the year in which you terminate from active employment is included in your FAE only if the date of your termination is December 31 (or the last working day in the calendar year if December 31 falls on a weekend).

**If your employment ends on or after January 1, 2004:** Compensation in the year in which your active employment terminates is equal to your actual pension-eligible earnings paid during the year of your termination plus your base rate of pay converted to a daily rate times the number of days from your termination date to the end of the year. Please see the “Compensation” section under the “Transition Benefits” supplement to the Cash Balance Program SPD for more information.

In years after your year of termination, compensation is equal to any residual pension-eligible earnings paid after the end of the year in which your employment ended.

**Non-Duplication of Benefits**

You may participate in (meaning contribute to or accrue a benefit under) only one Huntington Ingalls Industries pension plan at any given time. If you are eligible to participate in two plans (for example, as a result of an acquisition), you will be covered by the plan specified by your payroll.

**Suspension of Benefits Upon Re-employment**

In the event you terminate your employment and commence your Part A benefit under the Plan, then you are reemployed by the Company, payment of your Part A annuity benefit will be suspended if:

- You are rehired as an employee,
- You earn 40 or more vesting hours in a calendar month, and
- Less than 12 consecutive months has elapsed since you terminated, during which time you performed no services in any capacity (including, for example, service as an independent contractor, leased employee, or job shopper; any service with the Company will interrupt the measurement of the 12-consecutive-month period).
You will receive a notice of suspension before any benefit payments are suspended. Note that even if 12 or more months elapse between your termination and your rehire as an employee, your benefit payments may still be suspended. When you receive your suspension notice, you will also receive a certification form. If you have been away from the Company in any capacity for 12 or more months, you will need to sign and return the form in order for your payments to resume. When the HIBC receives this certification, your benefit payments will resume and you will receive a make-up payment of any suspended benefit payments.

If your Part A annuity benefit is suspended, then the benefit determined upon your subsequent retirement will be reduced to reflect the actuarial equivalent value of any Part A benefits previously received from this Plan.

Example: You retire from the Company and commence your annuity benefit. Seven months later, the Company retains you as a “consultant” and treats you as an independent contractor. You work in this capacity for one month and then do not perform any service for the Company for the next eight months. You are then rehired as an employee 16 months after your original termination date and eight months after you performed services as a consultant. Because you were not separated from service for at least 12 consecutive months (your month of service as a consultant interrupted your period of separation), your pension benefit will be suspended upon your return to work.

Alternatively, if you were separated from service for at least 12 months following your month of service as a consultant and were rehired as an employee covered by the Plan, your benefits will not be suspended (subject to providing written certification that you did not perform services in any capacity for the Company for 12 consecutive months).
Applying for Your Benefit

In order to retire (i.e., to have benefit payments begin), you must:

- Terminate from the Company (special rules apply in the case of divestitures),
- Be alive on your retirement date, and
- Follow the instructions provided in the “Applying for Your Retirement Benefit” section of the Cash Balance Program SPD.

If you have a qualified domestic relations order (QDRO) that awards any part of your pension benefit to a former spouse, such order should be submitted to the HIBC well in advance of your retirement date in order to avoid a delay in processing your retirement. You may obtain a copy of the Plan's procedures regarding QDROs free of charge by contacting the Domestic Relations Matters Group at 1-877-324-4255.
Normal Retirement

Eligibility for Normal Retirement

You are eligible for a normal retirement benefit if your employment with the Company ends on or after your normal retirement age. Your normal retirement date is the first day of the month coincident with or following your normal retirement age.

Normal Retirement Age for Your Benefit

Your normal retirement age for the Part A portion of your benefit is the later of:

- Age 65, or
- Your age on the fifth anniversary of your participation in the Plan or the date you complete three years* of vesting service, whichever is earlier.

* Five years of vesting service if you terminate prior to January 1, 2008.

Part A Benefit Amount for Normal Retirement

When you retire, your normal retirement benefit is calculated based on:

- Your final average earnings, and
- Your years of benefit service through June 30, 2003 or date of termination if earlier.

Calculating Your Normal Retirement Benefit

Part A Benefit

Your monthly Part A normal retirement benefit is calculated as (i) minus (ii), as shown below:

(i) 25% of your monthly final average earnings at termination up to $550

plus

40% of your monthly final average earnings at termination over $550

multiplied by

Your years of benefit service as of June 30, 2003*, up to 30 years

divided by

30

minus

Your ESOP annuity equivalent and Mass Mutual annuity (as of June 30, 2003), if applicable

MINUS

(ii) 25% of your monthly final average earnings as of June 30, 2003 up to $550
Part A Benefit Description

**Normal Retirement Benefit Example**

See the example that follows. Although this illustration uses full years of age and service, your retirement benefit will be based on your actual years and months of age and service at the time of your retirement. This example is based on the “straight life annuity” form of payment.

**Example**

Let’s assume you terminate on June 30, 2009 and retire on July 1, 2009 at age 65 with 30 years of benefit service – which means you have 24 years of benefit service through June 30, 2003. Also, assume your monthly final average earnings as of June 30, 2003 is $2,000, and at termination is $3,500. Assume you have no ESOP account and you are not entitled to a Mass Mutual annuity benefit. Your Part A benefit is determined as follows:

- 25% of final average earnings at termination up to $550
  
  plus 40% of final average earnings at termination over $550
  
  multiplied by ratio of years of benefit service through June 30, 2003 / 30
  
  \[
  \left[\left(25\% \times 550\right) + \left(40\% \times 2,950\right)\right] \times \left(\frac{24}{30}\right) = \$1,054
  \]

  minus

- 25% of final average earnings as of June 30, 2003 up to $550
  
  plus 40% of final average earnings as of June 30, 2003 over $550
  
  multiplied by ratio of years of benefit service through June 30, 2003 / 30
  
  \[
  \left[\left(25\% \times 550\right) + \left(40\% \times 1,450\right)\right] \times \left(\frac{24}{30}\right) = \$574
  \]

equals

- Normal retirement benefit
  
  \[\left(\$1,054 - \$574\right) = \$480\]

*If you were on a leave of absence on June 30, 2003, your Part A benefit is based on your benefit service through the date you return to work.*
Your monthly normal retirement benefit from the Plan is equal to $480. This benefit is paid in addition to your normal retirement benefit under the Avondale Industries, Inc. Pension Plan.
Early Retirement

Eligibility for Early Retirement

You are eligible for an early retirement benefit if you stop accruing service under the Plan at or after age 55 if you have at least 10 years of early retirement eligibility service.

Your early retirement date can be the first day of any month coincident with or following the date you become eligible, subject to the rules described in “Applying for Your Benefit.”

Benefit Amount for Early Retirement

If you elect to begin receiving your benefit before age 65 and have terminated after meeting the early retirement eligibility requirements described above, your early retirement benefit is determined as a normal retirement benefit before the ESOP and Mass Mutual annuity offsets (using the projected years of service you would have completed had you continued to work to age 65) multiplied by the ratio of your actual benefit service as of June 30, 2003 divided by your projected service at age 65. The ESOP and Mass Mutual annuity offsets are then deducted. This calculation is done twice: once with final average earnings at termination, and again with final average earnings as of June 30, 2003. The difference between these two calculations is reduced to a percentage of that amount as shown in the table below.

<table>
<thead>
<tr>
<th>Your age when payments begin</th>
<th>Percentage of your normal retirement benefit that you receive</th>
</tr>
</thead>
<tbody>
<tr>
<td>65</td>
<td>100%</td>
</tr>
<tr>
<td>64</td>
<td>93.28%</td>
</tr>
<tr>
<td>63</td>
<td>86.56%</td>
</tr>
<tr>
<td>62</td>
<td>79.84%</td>
</tr>
<tr>
<td>61</td>
<td>73.12%</td>
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<tr>
<td>60</td>
<td>66.40%</td>
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<td>59</td>
<td>63.04%</td>
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<tr>
<td>58</td>
<td>59.68%</td>
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<tr>
<td>57</td>
<td>56.32%</td>
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<tr>
<td>56</td>
<td>52.96%</td>
</tr>
<tr>
<td>55</td>
<td>49.60%</td>
</tr>
</tbody>
</table>

The table is shown in percentages for whole ages. Partial years will be prorated in years and months.

Early Retirement Benefit Example

See the example that follows. Although this illustration uses full years of age and service, your retirement benefit will be based on your actual years and months of age and service at the time of your retirement. This example is based on the “straight life annuity” form of payment.

Example

Let’s assume you terminate on June 30, 2009 and retire on July 1, 2009 at age 60 with 15 years of benefit service – which means you would have had 9 years of benefit service as of
June 30, 2003, and your projected age 65 service is 20 years. Also assume your monthly final average earnings as of June 30, 2003 is $2,000, and at termination is $3,500. Assume you have no ESOP account and you are not entitled to a Mass Mutual annuity benefit. Your Part A early retirement benefit is determined as follows:

1. **Determine your normal retirement benefit**

   - 25% of final average earnings at termination up to $550
     
     plus 40% of final average earnings at termination over $550
     
     multiplied by ratio of years of benefit service up to age 65 / 30
     
     multiplied by ratio of years actual benefit service through June 30, 2003 / projected service to age 65
     
     $$[((25\% \text{ of } 550) + (40\% \text{ of } 2,950)) \times (20 / 30) \times (9 / 20)] = 395.25$$

   - minus

   - 25% of final average earnings as of June 30, 2003 up to $550
     
     plus 40% of final average earnings as of June 30, 2003 over $550
     
     multiplied by ratio of years of benefit service up to age 65 / 30
     
     multiplied by ratio of years actual benefit service through June 30, 2003 / projected service to age 65
     
     $$[((25\% \text{ of } 550) + (40\% \text{ of } 1,450)) \times (20 / 30) \times (9 / 20)] = 215.25$$

   equals

   - Normal retirement benefit

   $$(395.25 - 215.25) = 180.00$$

Your monthly normal retirement benefit from the Plan is equal to $180.00.

2. **Calculate your early retirement benefit**

   This benefit amount is then reduced for early retirement at age 60:

   $$180.00 \times 66.40\% \text{ (early retirement reduction)} = 119.52$$

Your monthly early retirement benefit from the Plan is equal to $119.52. This benefit is paid in addition to your early retirement benefit under the Avondale Industries, Inc. Pension Plan.
Deferred Vested Benefits

Eligibility for Deferred Vested Benefits

You are eligible to receive a deferred vested benefit if you terminate employment with a vested benefit before normal retirement age and do not meet the eligibility requirements for normal or early retirement at that time. If you have less than 10 years of early retirement eligibility service, you can begin receiving your deferred vested benefit when you reach normal retirement age. Your benefit will be calculated as a normal retirement benefit.

You may begin receiving your deferred vested benefit in a reduced amount as early as age 55 if you have at least 10 years of early retirement eligibility service (see below for reduction amount for early commencement of deferred vested benefit).

You must commence your benefit no later than April 1 following the year in which you reach age 70½.

Note: If you are commencing a deferred vested benefit, you are not eligible to roll over your ESOP account to the Plan.

Benefit Amount for Deferred Vested Benefits

Your monthly deferred vested normal retirement benefit is calculated as (i) minus (ii), as shown below:

| (i) | 25% of your monthly final average earnings at termination up to $550 |
|     | plus |
|     | 40% of your monthly final average earnings at termination over $550 |
|     | multiplied by |
|     | Your projected years of benefit service had you continued to work to age 65, up to 30 years |
|     | divided by |
|     | 30 |
|     | multiplied by |
|     | Your actual years of benefit service as of June 30, 2003* |
|     | divided by |
|     | Your projected years of benefit service had you continued |
to work to age 65

minus

Your ESOP annuity equivalent and Mass Mutual annuity
(as of June 30, 2003)

MINUS

(ii) 25% of your monthly final average earnings as of June 30, 2003 up to $550
    plus
    40% of your monthly final average earnings as of June 30, 2003 over $550

multiplied by

Your projected years of benefit service had you continued to work to age 65, up to 30 years
    divided by
    30
    multiplied by

Your actual years of benefit service as of June 30, 2003
    divided by

Your projected years of benefit service had you continued to work to age 65

minus

Your ESOP annuity equivalent and Mass Mutual annuity
(as of June 30, 2003)

If you have at least 10 years of benefit service at termination, and you elect to commence your benefit between ages 55 and 65, your monthly deferred vested early retirement benefit is equal to a percentage of your deferred vested normal retirement benefit as shown in the table below.
The table is shown in percentages for whole ages. Partial years will be prorated in years and months.

<table>
<thead>
<tr>
<th>Your age when payments begin</th>
<th>Percentage of your normal retirement benefit that you receive</th>
</tr>
</thead>
<tbody>
<tr>
<td>65</td>
<td>100%</td>
</tr>
<tr>
<td>64</td>
<td>93.28%</td>
</tr>
<tr>
<td>63</td>
<td>86.56%</td>
</tr>
<tr>
<td>62</td>
<td>79.84%</td>
</tr>
<tr>
<td>61</td>
<td>73.12%</td>
</tr>
<tr>
<td>60</td>
<td>66.40%</td>
</tr>
<tr>
<td>59</td>
<td>63.04%</td>
</tr>
<tr>
<td>58</td>
<td>59.68%</td>
</tr>
<tr>
<td>57</td>
<td>56.32%</td>
</tr>
<tr>
<td>56</td>
<td>52.96%</td>
</tr>
<tr>
<td>55</td>
<td>49.60%</td>
</tr>
</tbody>
</table>
If You Die Before Benefit Payments Begin

Married Participants

If you die after your benefit is vested but before your retirement benefit commences, your spouse will be eligible for a pre-retirement death benefit from the Plan. Your eligible spouse is the individual to whom you are legally married at the time of your death.

Your spouse’s eligibility for the pre-retirement death benefit remains in effect whether or not you leave the Company, but will end on the earlier of:

- Your retirement date, or
- The date on which you no longer have a legal eligible spouse.

A former spouse can be deemed an eligible spouse for all or part of any pre-retirement spouse benefit from the Plan, if provided under a Qualified Domestic Relations Order (QDRO).

Pre-retirement Death Benefit

If you die before your benefit payments are scheduled to begin, your spouse’s Part A benefit is equal to the Part A amount that would have been paid to you under this Plan had you elected the 100% joint and survivor annuity form of payment. The amount of the benefit paid to your spouse will be based on your age at the time your spouse chooses to commence the benefit and will be reduced, as applicable, for early retirement.

Your spouse’s Part A benefit is payable monthly for the duration of his or her life.

Exception: If the actuarial value of the accrued benefit payable to your spouse is equal to or less than $5,000, your spouse can elect to receive the benefit as a lump sum rather than an annuity.

Benefit Commencement Date

Your surviving spouse can begin receiving a benefit payment on or after the later of:

- The first day of the month following your death, or
- The first day of the month in which you would have been eligible for early retirement.

Benefit payments must begin by December 31 of the later of the year in which you die or the year in which you would have reached age 70½.

Unmarried Participants

There is no Company-provided benefit payable upon your death if you are not married and you die before your retirement benefit commences.
Payment Options

The Plan provides several optional forms of payment to help meet your retirement needs. Your form of payment election cannot be changed on or after your retirement date.

Note: The following optional forms of payment are available for your Part A and your Part B or C benefits, as applicable. For information on available forms of payment for your benefit earned under the Avondale Industries, Inc. Pension Plan, see the SPD for that plan.

Spousal Consent

If you are married when you retire, written and notarized spousal consent is required if you elect any option other than the 50%, 75%, or 100% Joint and Survivor option with your spouse designated as the beneficiary.

Forms of Payment for the Part A Benefit

- **Straight Life Annuity** — You receive monthly payments for your lifetime. When you die, the Plan does not pay benefits to anyone else. If you are married when you retire, your spouse must provide notarized, written consent to this form of distribution. If you are single when you retire, your benefit normally will be paid as a straight life annuity, unless you elect one of the other forms of payment for which you qualify.

- **Joint and Survivor Annuity (50%, 75%, or 100%)** — You receive a monthly benefit for your lifetime. When you die, your spouse or other named beneficiary receives a monthly payment equal to 50%, 75%, or 100% of your monthly benefit (whichever you selected) for the rest of his or her lifetime. The monthly benefit you receive during your lifetime is smaller than the monthly benefit you would receive under the straight life annuity option, because benefits are paid over the joint lifetimes of you and your beneficiary. If your beneficiary dies before you but after your benefit payments are scheduled to begin, the Plan pays benefits for your lifetime only.

  If you are married when you retire, your benefit normally will be paid on a 50% joint and survivor basis with your spouse as the designated survivor, unless you elect one of the other forms of payment for which you qualify. If you are married when you retire and choose a form of payment other than a 50%, 75%, or 100% joint and survivor annuity with your spouse as beneficiary, your spouse must provide written, notarized consent.

  If your spouse or beneficiary dies before your benefit payments are scheduled to begin, you should notify the HIBC immediately and select a different payment option. After the date your benefit payments are scheduled to begin, they will not be recalculated for a change in marital status.

  If you elect a beneficiary other than your spouse, IRS rules may limit the level of the survivor benefit and may prevent the election of a joint annuitant who is significantly younger than you for joint and survivor annuity options other than the 50% option. Please contact the HIBC for more information.

- **Level Income Annuity** — You receive a greater monthly payment for the months before you reach age 62, the Social Security early retirement age. At age 62, your monthly
payment amount is reduced by an estimate of your age 62 Social Security benefit. If you commence your Social Security benefit at age 62 and it is approximately equal to the reduction provided in your retirement benefit calculation, this option enables your income to “level out” pre- and post-age 62. If you are married when you retire, your spouse must provide notarized, written consent to this form of distribution.

Here’s how your benefit would be calculated:

- **Your pre-62 monthly benefit**

  \[ \text{equals} \]
  
  Your benefit calculated under the straight life annuity form of payment (reduced, as applicable, for early retirement)

  \[ \text{plus} \]
  
  Your estimated Social Security benefit

  \[ \text{multiplied by} \]
  
  A Level Income annuity factor based on your age

- **Your post-62 monthly benefit**

  \[ \text{equals} \]
  
  Your pre-62 monthly benefit

  \[ \text{minus} \]
  
  Your estimated Social Security benefit

Your first post-62 benefit payment will take place on the first of the month coincident with or following your 62nd birthday. You will not be offered this option if the monthly post-62 benefit using an estimated Social Security benefit is $25 or less.

**Example** — Assume you retire at age 60 with a straight life annuity benefit of $300 per month (after being reduced by your benefit in the Avondale Industries, Inc. Pension Plan), and the Level Income annuity factor is 0.85. Further, assume the Plan estimate of your age 62 Social Security benefit is $500 and your actual age 62 Social Security payment is $550.

Your retirement benefit calculation will show Plan payments for a level income option as follows:

- **Pre-62 monthly benefit from the Plan**

  Straight life annuity of $300

  \[ \text{plus} \]
  
  \$500 \times 0.85 = \$725

- **Post-62 monthly benefit from the Plan**

  \$725 – \$500 = \$225
If you elect this option and commence your actual Social Security benefit at age 62, your total monthly income will be as follows:

- **Pre-62 monthly benefit from the Plan** = $725
- **Post-62 total monthly benefit**
  - Post-62 monthly benefit of $225
  - plus
  - Your actual Social Security benefit of $550 = $775

As a result, your pre- and post-62 income remains approximately level.

*Note: The age at which you may begin your Social Security benefits depends on the year of your birth. Be sure to confirm your eligible start date with the Social Security Administration. Social Security benefits that start before age 65 are reduced, because payments are made over a longer period of time. Your actual Social Security benefit may be more or less than the estimate used to determine your Plan benefit under the level income option. However, your level income payments will not be adjusted if that is the case.*

- **Ten Year Certain and Continuous** — You receive a monthly benefit for your lifetime. Electing this form of payment means there will be a reduction in the amount of your straight life annuity benefit based on your age at retirement.

  If you die before 120 payments have been made, the remainder of the 120 payments will be paid to your designated beneficiary. If your beneficiary dies after you but before 120 payments have been made, the remainder of the 120 payments will be paid to your beneficiary’s estate in a lump sum. If your beneficiary predeceases you before the 120 payments have been made, you may designate another beneficiary, provided you obtain your spouse’s written, notarized consent, if applicable. You may designate your estate or a trust as your designated beneficiary for this payment option. If you are married when you retire, your spouse must provide notarized, written consent to this form of distribution.

- **Lump Sum** — If the present value of your accrued benefit is equal to or less than $5,000, you can elect to receive your benefit as a lump sum. Trailing pay and other data included in your benefit calculation after your benefit commencement date will not impact your eligibility to elect a lump sum, even if it increases your annual benefit to be more than $5,000.

  Electing a lump sum payment means you are electing to receive, in a single payment, the actuarial present value of the straight life annuity benefit. There will be no further payments from the Plan.

  If you are married when you retire, your spouse must provide written, notarized consent to this form of distribution. The lump sum amount will depend on your age at retirement, the interest rate used, and a mortality table. For a list of the applicable interest rates, please access HII Benefits Connect at http://hiibenefits.com and click on the Your Benefits Resources button, or contact the HIBC.

  If you elect the lump sum form of payment for your benefit, you must make a direct rollover to an IRA or to another qualified plan in order to defer income taxes on the...
payment. *Any taxable amount not directly rolled over will have 20% automatically withheld for federal income taxes.*
Tax Considerations

For information about tax considerations, including the Internal Revenue Service excess earnings limit, please refer to the “Tax Considerations” section of the Cash Balance Program SPD.

General Plan Information

For additional administrative information about your pension benefit and the Plan, please refer to the “General Plan Information” section of the Cash Balance Program SPD.