

<p>Form 5500</p> <p>Department of the Treasury Internal Revenue Service</p> <hr/> <p>Department of Labor Employee Benefits Security Administration</p> <hr/> <p>Pension Benefit Guaranty Corporation</p>	<p>Annual Return/Report of Employee Benefit Plan</p> <p>This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code).</p> <p>▶ Complete all entries in accordance with the instructions to the Form 5500.</p>	<p>OMB Nos. 1210-0110 1210-0089</p> <hr/> <p style="font-size: 24pt; font-weight: bold;">2020</p> <hr/> <p>This Form is Open to Public Inspection</p>
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Part I Annual Report Identification Information

For calendar plan year 2020 or fiscal plan year beginning 01/01/2020 and ending 12/31/2020

A This return/report is for: a multiemployer plan a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions.)

a single-employer plan a DFE (specify) _____

B This return/report is: the first return/report the final return/report

an amended return/report a short plan year return/report (less than 12 months)

C If the plan is a collectively-bargained plan, check here.

D Check box if filing under: Form 5558 automatic extension the DFVC program

special extension (enter description)

Part II Basic Plan Information—enter all requested information

<p>1a Name of plan <u>HEALTH REIMBURSEMENT ARRANGEMENT FOR CERTAIN MEDICARE ELIGIBLE RETIREES OF LOCKHEED MARTIN CORPORATION</u></p>	<p>1b Three-digit plan number (PN) ▶ <u>595</u></p>
<p>2a Plan sponsor's name (employer, if for a single-employer plan) Mailing address (include room, apt., suite no. and street, or P.O. Box) City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions) <u>LOCKHEED MARTIN CORPORATION</u></p> <p><u>6801 ROCKLEDGE DRIVE, CCT-115</u> <u>BETHESDA, MD 20817</u></p>	<p>1c Effective date of plan <u>06/01/2015</u></p> <p>2b Employer Identification Number (EIN) <u>52-1893632</u></p> <p>2c Plan Sponsor's telephone number <u>863-647-0370</u></p> <p>2d Business code (see instructions) <u>335900</u></p>

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	<u>Filed with authorized/valid electronic signature.</u>	<u>10/11/2021</u>	<u>ROBERT MUENINGHOFF</u>
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

3a Plan administrator's name and address <input checked="" type="checkbox"/> Same as Plan Sponsor	3b Administrator's EIN	
	3c Administrator's telephone number	
4 If the name and/or EIN of the plan sponsor or the plan name has changed since the last return/report filed for this plan, enter the plan sponsor's name, EIN, the plan name and the plan number from the last return/report: a Sponsor's name c Plan Name	4b EIN	
	4d PN	
5 Total number of participants at the beginning of the plan year	5	33626
6 Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines 6a(1) , 6a(2) , 6b , 6c , and 6d). a(1) Total number of active participants at the beginning of the plan year..... a(2) Total number of active participants at the end of the plan year b Retired or separated participants receiving benefits..... c Other retired or separated participants entitled to future benefits d Subtotal. Add lines 6a(2) , 6b , and 6c e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits. f Total. Add lines 6d and 6e g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) h Number of participants who terminated employment during the plan year with accrued benefits that were less than 100% vested	6a(1)	0
	6a(2)	0
	6b	0
	6c	0
	6d	0
	6e	
	6f	
	6g	
	6h	
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item).....	7	

8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions:

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:
4Q

9a Plan funding arrangement (check all that apply)	9b Plan benefit arrangement (check all that apply)
(1) <input checked="" type="checkbox"/> Insurance	(1) <input checked="" type="checkbox"/> Insurance
(2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts	(2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts
(3) <input checked="" type="checkbox"/> Trust	(3) <input checked="" type="checkbox"/> Trust
(4) <input checked="" type="checkbox"/> General assets of the sponsor	(4) <input checked="" type="checkbox"/> General assets of the sponsor

10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules	b General Schedules
(1) <input type="checkbox"/> R (Retirement Plan Information)	(1) <input checked="" type="checkbox"/> H (Financial Information)
(2) <input type="checkbox"/> MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary	(2) <input type="checkbox"/> I (Financial Information – Small Plan)
(3) <input type="checkbox"/> SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary	(3) <input type="checkbox"/> <u>0</u> A (Insurance Information)
	(4) <input type="checkbox"/> C (Service Provider Information)
	(5) <input type="checkbox"/> D (DFE/Participating Plan Information)
	(6) <input type="checkbox"/> G (Financial Transaction Schedules)

Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)

11a If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) Yes No

If "Yes" is checked, complete lines 11b and 11c.

11b Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) Yes No

11c Enter the Receipt Confirmation Code for the 2020 Form M-1 annual report. If the plan was not required to file the 2020 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code _____

<p style="text-align: center;">SCHEDULE H (Form 5500)</p> <p style="font-size: small;">Department of the Treasury Internal Revenue Service</p> <hr/> <p style="font-size: x-small;">Department of Labor Employee Benefits Security Administration</p> <hr/> <p style="font-size: x-small;">Pension Benefit Guaranty Corporation</p>	<p>Financial Information</p> <p style="font-size: small;">This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).</p> <p>▶ File as an attachment to Form 5500.</p>	<p style="font-size: x-small;">OMB No. 1210-0110</p> <hr/> <p style="font-size: large;">2020</p> <hr/> <p style="font-size: small;">This Form is Open to Public Inspection</p>
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For calendar plan year 2020 or fiscal plan year beginning 01/01/2020 and ending 12/31/2020

<p>A Name of plan HEALTH REIMBURSEMENT ARRANGEMENT FOR CERTAIN MEDICARE ELIGIBLE RETIREES OF LOCKHEED MARTIN CORPORATION</p>	<p>B Three-digit plan number (PN) ▶</p>	<p>595</p>
<p>C Plan sponsor's name as shown on line 2a of Form 5500 LOCKHEED MARTIN CORPORATION</p>	<p>D Employer Identification Number (EIN) 52-1893632</p>	

Part I Asset and Liability Statement

1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash.....	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)		
(2) Participant contributions.....	1b(2)		
(3) Other	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)		
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)		
(9) Value of interest in common/collective trusts	1c(9)		
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds)	1c(13)		
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other.....	1c(15)		

		(a) Beginning of Year	(b) End of Year
1d	Employer-related investments:		
(1)	Employer securities.....	1d(1)	
(2)	Employer real property.....	1d(2)	
e	Buildings and other property used in plan operation.....	1e	
f	Total assets (add all amounts in lines 1a through 1e).....	1f	0
Liabilities			
g	Benefit claims payable.....	1g	1238959
h	Operating payables.....	1h	
i	Acquisition indebtedness.....	1i	
j	Other liabilities.....	1j	
k	Total liabilities (add all amounts in lines 1g through 1j).....	1k	1238959
Net Assets			
l	Net assets (subtract line 1k from line 1f).....	1l	-1238959

Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

		(a) Amount	(b) Total
Income			
a	Contributions:		
(1)	Received or receivable in cash from: (A) Employers.....	2a(1)(A)	53648
	(B) Participants.....	2a(1)(B)	
	(C) Others (including rollovers).....	2a(1)(C)	1238959
(2)	Noncash contributions.....	2a(2)	
(3)	Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)	1292607
b	Earnings on investments:		
(1)	Interest:		
	(A) Interest-bearing cash (including money market accounts and certificates of deposit).....	2b(1)(A)	
	(B) U.S. Government securities.....	2b(1)(B)	
	(C) Corporate debt instruments.....	2b(1)(C)	
	(D) Loans (other than to participants).....	2b(1)(D)	
	(E) Participant loans.....	2b(1)(E)	
	(F) Other.....	2b(1)(F)	
	(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)	0
(2)	Dividends: (A) Preferred stock.....	2b(2)(A)	
	(B) Common stock.....	2b(2)(B)	
	(C) Registered investment company shares (e.g. mutual funds).....	2b(2)(C)	
	(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)	0
(3)	Rents.....	2b(3)	
(4)	Net gain (loss) on sale of assets: (A) Aggregate proceeds.....	2b(4)(A)	
	(B) Aggregate carrying amount (see instructions).....	2b(4)(B)	
	(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result.....	2b(4)(C)	0
(5)	Unrealized appreciation (depreciation) of assets: (A) Real estate.....	2b(5)(A)	
	(B) Other.....	2b(5)(B)	
	(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)	0

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts.....	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts.....	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds)	2b(10)		
c Other income	2c		
d Total income. Add all income amounts in column (b) and enter total.....	2d		1292607

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers.....	2e(1)		
(2) To insurance carriers for the provision of benefits	2e(2)	53648	
(3) Other.....	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		53648
f Corrective distributions (see instructions).....	2f		
g Certain deemed distributions of participant loans (see instructions).....	2g		
h Interest expense.....	2h		
i Administrative expenses: (1) Professional fees	2i(1)		
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)		
(4) Other.....	2i(4)		
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		0
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		53648

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		1238959
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) Unmodified **(2)** Qualified **(3)** Disclaimer **(4)** Adverse

b Check the appropriate box(es) to indicate whether the IQPA performed an ERISA section 103(a)(3)(C) audit. Check both boxes (1) and (2) if the audit was performed pursuant to both 29 CFR 2520.103-8 and 29 CFR 2520.103-12(d). Check box (3) if pursuant to neither.

(1) DOL Regulation 2520.103-8 **(2)** DOL Regulation 2520.103-12(d) **(3)** neither DOL Regulation 2520.103-8 nor DOL Regulation 2520.103-12(d).

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: MITCHELL & TITUS, LLP

(2) EIN: 13-2781641

d The opinion of an independent qualified public accountant is **not attached** because:

(1) This form is filed for a CCT, PSA, or MTIA. **(2)** It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

	Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)		X	
4a			

		Yes	No	Amount
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)	4b		X	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)	4c		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)	4d		X	
e Was this plan covered by a fidelity bond?	4e	X		100000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?	4f		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?	4g		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?	4h		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.).....	4i		X	
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked and see instructions for format requirements.).....	4j		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?	4k	X		
l Has the plan failed to provide any benefit when due under the plan?	4l		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.).....	4m			
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.....	4n			

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?..... Yes No
 If "Yes," enter the amount of any plan assets that reverted to the employer this year _____.

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)

5c Was the plan a defined benefit plan covered under the PBGC insurance program at any time during this plan year? (See ERISA section 4021 and instructions.) Yes No Not determined
 If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year _____.

Health Reimbursement Arrangement for Certain Medicare Eligible Retirees of Lockheed Martin Corporation

Financial Statements as of December 31, 2020 and 2019,
and for the Year Ended December 31, 2020 with Independent Auditor's Report

**Health Reimbursement Arrangement for Certain Medicare Eligible Retirees of
Lockheed Martin Corporation**

Financial Statements

Year Ended December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Plan Administrator
Health Reimbursement Arrangement for Certain Medicare Eligible Retirees of
Lockheed Martin Corporation

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the Health Reimbursement Arrangement for Certain Medicare Eligible Retirees of Lockheed Martin Corporation (the Plan), which comprise the statements of net assets available for benefits as of December 31, 2020 and 2019, the related statement of changes in net assets available for benefits for the year ended December 31, 2020, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audits in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 (ERISA), the Plan Administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 4, which was certified by The Northern Trust Company, the Trustee of the Plan, except for comparing such information with the related information included in the financial statements. We have been informed by the Plan Administrator that the Trustee holds the Plan's investment assets and executes investment transactions. The Plan Administrator has obtained a certification from the Trustee as of December 31, 2020 and 2019 and for the year ended December 31, 2020, that the information provided to the Plan Administrator by the Trustee is complete and accurate.

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Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Emphasis of Matter

As discussed in Note 1, effective December 31, 2020, the Plan merged with and into the Lockheed Martin Group Insurance Plan for Retired Employees. This merger did not change the benefits, rights, features, or other substantive terms of the Plan.

Report on Form and Content in Compliance with DOL Rules and Regulations

The form and content of the information included in the financial statements, other than that derived from the information certified by the Trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA.

Mitchell Titus, LLP

October 5, 2021

**Health Reimbursement Arrangement for Certain Medicare Eligible Retirees of
Lockheed Martin Corporation
Statements of Net Assets Available for Benefits
(in thousands)**

	December 31,	
	2020	2019
Assets		
Net assets held in Lockheed Martin Corporation Salaried Employee Retirement Program 401(h) account	\$ 839,191	\$ 733,327
Net assets held in Lockheed Martin Corporation Salaried Savings Plan 401(h) account	5	5
Total assets	839,196	733,332
Liabilities		
Payable to Lockheed Martin Corporation	—	1,239
Transfer payable	839,196	—
Total liabilities	839,196	1,239
Net assets available for benefits	\$ —	\$ 732,093

The accompanying notes are an integral part of these financial statements.

Health Reimbursement Arrangement for Certain Medicare Eligible Retirees of Lockheed Martin Corporation
Statement of Changes in Net Assets Available for Benefits
(in thousands)

	Year Ended December 31, 2020
Net assets available for benefits at beginning of year	\$ 732,093
Additions to net assets:	
Contributions:	
Employer contributions	54
Net increase in Lockheed Martin Corporation Salaried Employee Retirement Program 401(h) account	107,103
Net increase in Lockheed Martin Corporation Salaried Savings Plan 401(h) account	—
Total additions	107,157
Deductions from net assets:	
Claim payments	54
Change in net assets	107,103
Transfer to other plan	(839,196)
Net assets available for benefits at end of year	\$ —

The accompanying notes are an integral part of these financial statements.

**Health Reimbursement Arrangement for Certain Medicare Eligible Retirees of
Lockheed Martin Corporation
Notes to Financial Statements**

1. Description of the Plan

The following description of the Health Reimbursement Arrangement for Certain Medicare Eligible Retirees of Lockheed Martin Corporation (the Plan) provides only general information about the Plan's provisions. Participants should refer to the Plan document and Summary Plan Descriptions for a more complete description of the Plan's provisions.

General

The Plan, which was established on June 1, 2015, is a qualified self-insured health reimbursement plan covering certain Medicare Eligible retirees of Lockheed Martin Corporation (the Corporation). The Plan reimburses retirees for certain health care expenses based on a fixed amount established by the Plan (Benefit Credits). Generally, retirees who reach age 65 and are not eligible for any other group retiree medical plan sponsored by the Corporation, are eligible to participate in the Plan. The Corporation is the Plan Sponsor and the Plan Administrator.

Effective December 31, 2020, the Plan merged with and into the Lockheed Martin Group Insurance Plan for Retired Employees. As a result, net assets of the Plan in the amount of \$839,196,000 were transferred. This merger did not change the benefits, rights, features, or other substantive terms of the Plan.

The assets of the Plan are held and invested on a commingled basis in the Lockheed Martin Corporation Salaried Employee Retirement Program (LMRP) 401(h) account and Lockheed Martin Corporation Salaried Savings Plan (SSP) 401(h) account, which were established for the investment of the Plan's assets and the assets of certain other plans sponsored by the Corporation. The LMRP and the SSP each have an IRS determination letter stating that the plan is designed in accordance with applicable sections of the Internal Revenue Code (IRC), and therefore, the related trust is exempt from taxation. These plans have been amended since issuance of the determination letter. However, the Plan Administrator and the Corporation's counsel believe that the current design and operations of the plans are in compliance with the applicable provisions of the IRC, and therefore, believe the plans, as amended, are qualified and the related trusts are tax exempt. The assets of the 401(h) accounts are held by The Northern Trust Company (the Trustee) and are reported in the accompanying financial statements of the LMRP and SSP.

Funding Policy

The Corporation's cash contributions to the 401(h) accounts in the LMRP and SSP are determined on an accrual basis in accordance with the requirements under Section 105 and 106 of the IRC and requirements for health reimbursement arrangements as defined in Internal Revenue Service (IRS) Notice 2002-45. In addition, the cash contributions satisfy the funding requirements for U.S. Government Cost Accounting Standards reimbursements. The cash contributions are established based on actuarially determined amounts, as described in "Postretirement Benefit Obligations" below.

Although the Corporation expects to continue the Plan indefinitely, the Corporation may amend, suspend, or terminate the Plan for any reason at any time. If the Plan is terminated, any benefits with respect to claims or expenses incurred prior to the date of such Plan termination will be an obligation of the Plan. Such benefits may be fully or partially provided for by the existing assets of the Plan, with any excess provided for by the Corporation.

**Health Reimbursement Arrangement for Certain Medicare Eligible Retirees of
Lockheed Martin Corporation
Notes to Financial Statements (continued)**

401(h) account

In order to fund the postretirement obligations for Benefit Credits of retirees and their spouses, the Corporation contributes to 401(h) accounts in the LMRP and the SSP in accordance with Section 401(h) of the IRC. Separate accounts have been established and maintained in the LMRP and SSP for the net assets related to the medical benefits funded by the Plan. In accordance with IRC Section 401(h), the investments in the 401(h) accounts may not be used for, or diverted to, any purpose other than providing health benefits for participants in the Corporation's postretirement medical plans. The related obligations for health benefits are not included in the LMRP or SSP obligations, but are reported as obligations in the accompanying financial statements of the Plan. In 2020, the claim payments of \$42,163,000 were paid from the LMRP 401(h) accounts.

Contributions

The Plan provides Benefit Credits to participants each year based on a fixed dollar amount. Participant contributions are not permitted. Generally, a Benefit Credit for a full Plan year is \$900 for each participating retiree and participating spouse. The Benefit Credit is prorated for the number of months remaining in the year if the participant becomes covered after January 1 in a Plan year. Benefit Credits that are not used by participants in each plan year are carried over and may be used in subsequent years throughout each participant's lifetime.

Payment of Claims

The Plan reimburses participants for eligible medical expenses incurred up to their Benefit Credit amounts each year. Benefit Credits in the Plan are reduced by the amount of reimbursements.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, benefit obligations and changes therein, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Payment of Claims

Claims payments are recorded when paid by the Corporation. Amounts due to the Corporation for claims paid out but not yet reimbursed by the Plan are recorded as a payable to the Corporation in the Statements of Net Assets Available for Benefits.

Postretirement Benefit Obligations

Postretirement benefit obligations represent the actuarial present value of those estimated future benefits that are attributed by the terms of the Plan to employees' service rendered to the valuation date. Postretirement benefits include future benefits expected to be paid to (i) currently retired employees and their beneficiaries and dependents and (ii) active employees and their beneficiaries and dependents, after retirement from service with the Corporation. Prior to an active employee's full eligibility date, the

**Health Reimbursement Arrangement for Certain Medicare Eligible Retirees of
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Notes to Financial Statements (continued)**

postretirement benefit obligation is the portion of the expected postretirement benefit obligation that is attributed to that employee's service rendered to the valuation date. The benefit obligations information is presented in Note 3 to the financial statements.

Risks and Uncertainties

The Plan, through the 401(h) accounts, invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, currency, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statements of Net Assets Available for Benefits.

Plan contributions are made and the actuarial present value of benefit obligations are reported based on certain assumptions pertaining to interest rates, health care inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption processes, it is at least reasonably possible that changes in these estimates and assumptions in the near term could materially affect the amounts reported and disclosed in the financial statements.

Investment Valuation and Income Recognition

The net assets of the 401(h) accounts are reported at fair value. Fair value is the price that would have been received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. The net assets of the 401(h) accounts' gains and losses on investments bought and sold as well as held during the year are included in the net increase or decrease in the 401(h) accounts.

Administrative Expenses

Direct and indirect administrative expenses are paid by the Corporation and are excluded from the Plan's financial statements.

Subsequent Events

The Plan has evaluated subsequent events through October 5, 2021, the date the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2020 that required recognition or disclosure in these financial statements.

3. Benefit Obligations

The actuarial present value of the estimated postretirement benefit obligation is determined by an actuary and is the amount that results from applying actuarial assumptions to historical claims-cost data to estimate future annual incurred claims costs per participant and to adjust such estimates for the time value of money and the probability of payment between the valuation date and the expected date of payment, and to reflect the portion of those costs expected to be borne by Medicare, the retired participants, and other providers.

The 2021 assumed health care cost trend rate for the December 31, 2020 postretirement benefit obligation is 7.75%, trending down to 4.50% by 2034, and the 2020 health care cost trend rate for the December 31, 2019 postretirement benefit obligation was 8.00%, trending down to 4.50% by 2034. The assumptions include the impact of Medicare cost-sharing provisions.

**Health Reimbursement Arrangement for Certain Medicare Eligible Retirees of
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Notes to Financial Statements (continued)**

Significant assumptions used in the valuations are as follows:

	December 31,	
	2020	2019
Weighted average discount rate	2.375%	3.25%
Average retirement age	62	62
Turnover	Based on termination experience of the Plan	Based on termination experience of the Plan
Mortality	Pri-2012 Collar Adjusted with Scale MP-2020	Pri-2012 Collar Adjusted with Scale MP-2019

The foregoing assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of the postretirement benefit obligation.

The postretirement benefit obligation is as follows (in thousands):

	December 31,	
	2020	2019
Active employees, fully eligible for benefits	\$ 285,144	\$ 253,001
Active employees, not yet fully eligible for benefits	231,165	206,342
Retirees	601,314	561,685
Plan mergers ⁽¹⁾	(1,117,623)	—
Postretirement benefit obligation	<u>\$ —</u>	<u>\$ 1,021,028</u>

The change in the Plan's postretirement benefit obligations is as follows (in thousands):

	Year Ended December 31, 2020	
Balance at beginning of period	\$	1,021,028
Increase (decrease) in postretirement benefits attributable to:		
Increase for interest due to the decrease in the discount period		32,210
Benefits paid		(42,886)
Plan amendment		7,747
Benefits earned and other changes		(13,192)
Plan mergers ⁽¹⁾		(1,117,623)
Changes in actuarial assumptions		112,716
Net decrease		<u>(1,021,028)</u>
Total postretirement benefit obligations at end of year	<u>\$</u>	<u>—</u>

(1) See Note 1.

**Health Reimbursement Arrangement for Certain Medicare Eligible Retirees of
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Notes to Financial Statements (continued)**

The changes in actuarial assumptions in the table above reflect the decrease in the discount rate and updated mortality that impacted the postretirement benefit obligation by \$120,300,000 and \$(7,584,000), respectively. A 1% increase in the assumed health care cost trend rates would increase the postretirement benefit obligation by approximately 1.0% as of December 31, 2020.

During 2020, contracts for the bargaining units for certain participants were renegotiated to transition future retirees to the Plan from the Lockheed Martin Corporation Group Insurance Plan for Retired Employees resulting in an increase to the actuarial present value of accumulated plan benefits of \$7,747,000.

It is expected that the excess of postretirement benefit obligations over net assets available for benefits will be funded through future actuarially determined contributions to the LMRP 401(h) account and the SSP 401(h) account.

4. Fair Value Measurements

General

The Plan's investments are held in the two 401(h) account. The assets, realized and unrealized gains and losses, investment income, and claim payments are included in the net increase or decrease in the 401(h) accounts. The fair value of the assets in the SSP 401(h) and in the LMRP 401(h) by asset category and their level within the fair value hierarchy as of December 31, 2020 and 2019, respectively, are presented in the SSP and LMRP financial statements.

5. Parties-in-Interest Transactions

The Trusts invest in funds managed by The Northern Trust Company, the Trustee. Investments in these funds qualify as party-in-interest transactions for which a statutory exemption from the prohibited transaction regulation exists.

**Health Reimbursement Arrangement for Certain Medicare Eligible Retirees of
Lockheed Martin Corporation
Notes to Financial Statements (continued)**

6. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 (in thousands):

	December 31,	
	2020	2019
Net assets available for benefits per the financial statements	\$ —	\$ 732,093
Less: Net assets held in LMRP 401(h) account	839,191	733,327
Less: Net assets held in SSP 401(h) account	5	5
Add: Transfer payable	839,196	—
Net assets available for benefits per the Form 5500	\$ —	\$ (1,239)

The following is a reconciliation of the change in net asset available for benefits per the financial statements to the Form 5500 (in thousands):

	Year Ended	
	December 31, 2020	
Net decrease per the financial statements	\$	(732,093)
Less: Net increase in LMRP and SSP 401(h) accounts		107,103
Less: Transfer payable		(839,196)
Add: Accrued claim payment prior year		1,239
Net increase per Form 5500	\$	1,239

The net assets and related activity of the 401(h) accounts included in the financial statements are not included in the Form 5500 because the assets of the LMRP 401(h) account are held by the LMRP, and the assets of the SSP 401(h) account are held by the SSP.