April 2013

For Participants in the LANS Defined Benefit Pension Plan:

Each year, LANS is required to send the enclosed Annual Funding Notice (Notice) to all LANS Defined Benefit Pension Plan participants. The Notice summarizes important information about the Pension Plan that you should know about. This is for your information only. No action is required.

A Look at the Annual Funding Notice
The Notice includes important information about the 2012 plan year, including:

- The number of participants.
- The Plan's funding level, assets and liabilities. LANS is committed to funding the Pension Plan to ensure the Plan can pay benefits to all participants. The funding level is affected by the value of the Plan’s investments and by the interest rates used to determine the value of plan benefits in today’s dollars. The Plan’s actuaries measure the funded status by comparing the Plan’s assets to its liabilities. As of January 1, 2012, the Plan’s funding target attainment percentage was nearly 100%. This means that the Plan’s liabilities were almost completely offset by the Plan’s assets. LANS may periodically make contributions to the Plan to ensure the funded status meets federally-required levels.

- Funding and investment policies. LANS takes the responsibility of investing the Plan’s assets very seriously. The notice includes details on how the Plan’s assets were allocated as of the end of the plan year.

- Information regarding the Pension Benefit Guaranty Corporation (PBGC) insurance. The PBGC is a federal insurance agency that helps protect pension benefits. LANS is committed to the long-term solvency of the Plan. However, if LANS experiences severe financial hardship and the Plan ends without enough resources to pay the benefits, the PBGC will step in to pay some or all of the pension benefits that participants would have received from the Plan. PBGC insurance coverage is mandatory. LANS pays annual premiums to the PBGC to insure your accrued Plan benefits, subject to the PBGC guaranty limits.

Please see the Notice for more details about these topics and other important information.

Questions?
The enclosed FAQs provide answers to many common questions. If your questions are not answered in the FAQs, see the “Where to Get More Information” section of the Notice for contact information.

Sincerely,

Louis Polito
Plan Administrator
1. **Why am I receiving this notice?**

   The Pension Protection Act of 2006 (the “PPA”) requires employers who sponsor defined benefit pension plans to distribute an Annual Funding Notice (the “Notice”). This requirement became effective in 2009 for the 2008 plan year. The enclosed notice is for the 2012 plan year.

2. **Who is required to receive this Notice?**

   Employers must provide an Annual Funding Notice to all plan participants and beneficiaries annually. The Pension Benefit Guaranty Corporation (the “PBGC”) is also generally required to receive the Annual Funding Notice.

3. **What is the purpose of the Annual Funding Notice?**

   To give LANS Defined Benefit Pension Plan (the “Plan”) participants information about the Plan’s funded status. The Notice also includes a summary of the rules that apply if a pension plan ends.

4. **Does receipt of this Notice mean that the Plan does not have enough funds to pay benefits?**

   No. The Notice must be provided regardless of the Plan’s actual level of funding. The funded status, the level of guaranteed payment, and plan termination information contained in the Notice are provided to comply with the PPA. This information is not intended to suggest that these conditions apply to the Plan.

5. **Who determines whether the Plan has enough funds to pay benefits?**

   LANS hires independent actuaries to perform a “valuation” and certify the Plan’s minimum pension funding requirements each year. These actuaries are professionals certified by the government to perform work pertaining to pension plans. LANS makes contributions to the Plan’s trust fund based on the outcome of these annual valuations.

6. **What happens if the Plan is underfunded?**

   Generally, pension plan sponsors must make up funding shortfalls in seven years or less. If a pension plan becomes significantly underfunded, restrictions may apply to increases in benefits, plan amendments, and the forms of payment available. None of these restrictions currently apply to the Plan. Employers with funding shortfalls must pay higher PBGC premiums.

7. **Can a pension plan be overfunded? What happens to the funds?**

   Yes. If a plan is overfunded, excess plan assets are generally used to reduce the amount of future employer contributions. If the Plan has excess assets and ends after paying all benefits to participants, the excess assets will revert to The Department of Energy.

8. **Why has the Plan’s funded status dropped over the past three years?**

   This is primarily due to a decrease in the PPA discount rates used to value the Plan’s liabilities. The increase in Plan liabilities has outweighed the growth in Plan assets despite positive investment returns and employer and employee contributions.

9. **How will LANS return the Plan to 100% funded status?**

   LANS will continue to contribute at least the minimum required by law to the Plan. PPA rules allow LANS seven years to eliminate any funding shortfalls.
10. Will employees’ current mandatory contributions increase?

There are no plans to change the level of employee contributions.

11. The funded status of the Plan is below 100%. Does that mean I won’t receive my full benefit when I retire?

No. As long as the Plan continues to be in operation, you will receive the full benefit to which you are entitled. The funded status and the financial health of the Plan have no bearing on your benefit amount.

12. What causes the Plan’s liability to grow?

The Plan’s liability is the present value of all future expected benefit payments paid from the Plan based on benefits earned to date. The Plan’s liability increases as the benefits of current participants grow through pay and service increases. The liability also grows with interest as the discounting period before future benefits are paid decreases. The liability decreases when benefits are paid to current retirees throughout the year.

The liability is also sensitive to the interest rate used to discount future expected benefit payments back to today. The liability increases when interest rates fall and decreases when interest rates rise.

The Plan is closed to new participants. Newly hired LANS employees do not have an effect on the Plan’s liability.

13. Are plan investments being effectively managed?

The Plan’s investments are managed by the Benefits and Investment Committee (BIC). The BIC is composed of a select group of professional financial members. The BIC is assisted by professional investment managers, actuaries, and attorneys. The BIC members are fiduciaries of the Plan. This means they are legally obligated to make decisions that are in the best interests of Plan participants. The investment policies are designed to be fiscally prudent, to take advantage of stock market growth, while minimizing the risk to Plan assets.

14. Does this Notice apply to my 401(k) Savings Program account?

No. The Annual Funding Notice applies only to the LANS Defined Benefit Pension Plan.

15. How is my benefit determined under the Plan?

You can find the pension formula and other important Plan provisions in your Summary Plan Description or online at http://int.lanl.gov/employees/benefits/assets/docs/spd/retirement/tcp1-pension-spd.pdf. You will also find an example that shows how the formula is applied.

16. How can I find out the amount of my own Plan benefit?

To request a benefit estimate electronically, access Your Pension Resources™ at http://pension.hewitt.com/LosAlamos. To request a free paper copy of a benefit estimate, call the LANS Pension Center toll free at 1-866-370-7301. Representatives are available 8am-4pm (Mountain).

17. Do I need to take action?

No. This Notice is for your information only. You do not need to take any action.
Annual Funding Notice
For
LANS Defined Benefit Pension Plan

The following Annual Funding Notice contains information that the federal government requires defined benefit plan sponsors to provide, regardless of the plan’s actual financial condition or level of funding. You do not need to respond or make any election on account of the fact that you received this notice. This notice is also required to include information about the termination of pension plans and the protections provided by the federal government’s Pension Benefit Guaranty Corporation after a plan is terminated, even if an employer has no intention of terminating a plan. This Annual Funding Notice is intended to comply with that requirement and is not an indication that the plan is terminating.

Introduction

This notice includes important information about the funding status of your pension plan (“the Plan”) and general information about the benefit payments guaranteed by the Pension Benefit Guaranty Corporation (“PBGC”), a federal insurance agency. All traditional pension plans (called “defined benefit pension plans”) must provide this notice every year regardless of their funding status. This notice does not mean that the Plan is terminating. It is provided for informational purposes and you are not required to respond in any way. This notice is for the plan year beginning January 1, 2012 and ending December 31, 2012 (“Plan Year”).

How Well Funded Is Your Plan

Under federal law, the plan must report how well it is funded by using a measure called the “funding target attainment percentage.” This percentage is obtained by dividing the Plan’s Net Plan Assets by Plan Liabilities on the Valuation Date for the plan year. In general, the higher the percentage, the better funded the plan. Your Plan’s funding target attainment percentage for the Plan Year and two preceding plan years is shown in the chart below, along with a statement of the value of the Plan’s assets and liabilities for the same period.

<table>
<thead>
<tr>
<th>Funding Target Attainment Percentage</th>
<th>Plan Year Beginning in 2012</th>
<th>Plan Year Beginning in 2011</th>
<th>Plan Year Beginning in 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Plan Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Total Plan Assets</td>
<td>$2,057,577,790</td>
<td>$1,689,206,532</td>
<td>$1,541,285,679</td>
</tr>
<tr>
<td>b. Funding Standard Carryover Balance</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>c. Prefunding Balance</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>d. Net Plan Assets (a) – (b) – (c) = (d)</td>
<td>$2,057,577,790</td>
<td>$1,689,206,532</td>
<td>$1,541,285,679</td>
</tr>
<tr>
<td>3. Plan Liabilities</td>
<td>$2,112,963,200</td>
<td>$1,723,902,553</td>
<td>$1,491,948,090</td>
</tr>
<tr>
<td>4. Funding Target Attainment Percentage (2d)/(3)</td>
<td>97.37%</td>
<td>97.98%</td>
<td>103.30%</td>
</tr>
</tbody>
</table>
Plan Assets and Credit Balances

Total Plan Assets is the value of the Plan’s assets on the Valuation Date (see line 2 in the chart above). Credit balances were subtracted from Total Plan Assets to determine Net Plan Assets (line 2 d) used in the calculation of the funding target attainment percentage shown in the chart above. While pension plans are permitted to maintain credit balances (also called “funding standard carryover balances” or “prefunding balances” see 2 b & c in the chart above) for funding purposes, they may not be taken into account when calculating a plan’s funding target attainment percentage. A plan might have a credit balance, for example, if in a prior year an employer made contributions to the plan above the minimum level required by law. Generally, the excess contributions are counted as “credits” and may be applied in future years toward the minimum level of contributions a plan sponsor is required to make by law.

Plan Liabilities

Plan Liabilities shown in line 3 of the chart above are the liabilities used to determine the Plan’s Funding Target Attainment Percentage. This figure is an estimate of the amount of assets the Plan needs on the Valuation Date to pay for promised benefits under the plan.

Year-End Assets and Liabilities

The asset values in the chart above are measured as of the first day of the Plan Year and are actuarial values. Because market values can fluctuate daily based on factors in the marketplace, such as changes in the stock market, pension law allows plans to use actuarial values that are designed to smooth out those fluctuations for funding purposes. The asset values below are market values and are measured as of the last day of the plan year. Market values tend to show a clearer picture of a plan’s funded status as of a given point in time. As of December 31, 2012, the fair market value of the Plan’s assets was $2,565,090,235. On this same date, the Plan’s liabilities were $3,030,685,833.

Participant Information

The total number of participants in the Plan as of the Plan’s valuation date was 6,190. Of this number, 5,312 were active participants, 465 were retired or separated from service and receiving benefits, and 413 were retired or separated from service and entitled to future benefits.

Funding & Investment Policies

Every pension plan must have a procedure for establishing a funding policy to carry out plan objectives. A funding policy relates to the level of assets needed to pay for promised benefits. The current funding policy of the Plan is to contribute no less frequently than annually an amount at least equal to the minimum contribution required by law. Los Alamos National Security, LLC may, at its discretion, contribute amounts in excess of the minimum required contribution.

Once money is contributed to the Plan, the money is invested by plan officials called fiduciaries, who make specific investments in accordance with the Plan’s investment policy. Generally speaking, an investment policy is a written statement that provides the fiduciaries who are responsible for plan investments with guidelines or general instructions concerning investment management decisions. The investment policy of the Plan is to ensure, over the long-term life of the Plan, an adequate pool of assets to support the benefit obligations to participants, retirees, and beneficiaries. In meeting this objective, the Plan seeks the opportunity to achieve an adequate return to fund the obligations in a manner consistent with the fiduciary standards of ERISA and with a prudent level of diversification, and liquidity needs to pay current benefits when due.
Under the Plan’s investment policy, the Plan’s assets were allocated among the following categories of investments, as of the end of the Plan Year. These allocations are percentages of total assets:

<table>
<thead>
<tr>
<th>Asset Allocations</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cash (interest-bearing and non-interest bearing)</td>
<td>2.938%</td>
</tr>
<tr>
<td>2. U.S. Government securities</td>
<td>18.176%</td>
</tr>
<tr>
<td>3. Corporate debt instruments (other than employer securities):</td>
<td></td>
</tr>
<tr>
<td>Preferred</td>
<td>20.952%</td>
</tr>
<tr>
<td>All other</td>
<td>0.911%</td>
</tr>
<tr>
<td>4. Corporate stocks (other than employer securities):</td>
<td></td>
</tr>
<tr>
<td>Preferred</td>
<td>0.015%</td>
</tr>
<tr>
<td>All other</td>
<td>37.233%</td>
</tr>
<tr>
<td>5. Partnership/joint venture interests</td>
<td>0.000%</td>
</tr>
<tr>
<td>6. Real estate (other than employer real property)</td>
<td>0.000%</td>
</tr>
<tr>
<td>7. Loans (other than to participants)</td>
<td>0.000%</td>
</tr>
<tr>
<td>8. Participant loans</td>
<td>0.000%</td>
</tr>
<tr>
<td>9. Value of interest in common/collective trusts</td>
<td>15.257%</td>
</tr>
<tr>
<td>10. Value of interest in pooled separate accounts</td>
<td>0.000%</td>
</tr>
<tr>
<td>11. Value of interest in master trust investment accounts</td>
<td>0.000%</td>
</tr>
<tr>
<td>12. Value of interest in 103-12 investment entities</td>
<td>0.000%</td>
</tr>
<tr>
<td>13. Value of interest in registered investment companies (e.g., mutual funds)</td>
<td>4.518%</td>
</tr>
<tr>
<td>14. Value of funds held in insurance co. general account (unallocated contracts)</td>
<td>0.000%</td>
</tr>
<tr>
<td>15. Employer-related investments:</td>
<td></td>
</tr>
<tr>
<td>Employer Securities</td>
<td>0.000%</td>
</tr>
<tr>
<td>Employer real property</td>
<td>0.000%</td>
</tr>
<tr>
<td>16. Buildings and other property used in plan operation</td>
<td>0.000%</td>
</tr>
<tr>
<td>17. Other</td>
<td>0.000%</td>
</tr>
</tbody>
</table>

The allocations above represent the investments within the 103-12 investment entities, in which the plan is 100% invested.

**Right to Request a Copy of the Annual Report**

A pension plan is required to file with the US Department of Labor an annual report called the Form 5500 that contains financial and other information about the plan. Copies of the annual report are available from the US Department of Labor, Employee Benefits Security Administration’s Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling 202.693.8673. For 2009 and subsequent plan years, you may obtain an electronic copy of the plan’s annual report by going to www.efast.dol.gov and using the Form 5500 search function. Or you may obtain a copy of the Plan’s annual report by making a written request to the plan administrator. Individual information, such as the amount of your accrued benefit under the plan, is not contained in the annual report. If you are seeking information regarding your benefits under the plan, contact the plan administrator identified below under “Where To Get More Information.”

**Summary of Rules Governing Termination of Single-Employer Plans**

If a plan is terminated, there are specific termination rules that must be followed under federal law. A summary of these rules follows.
There are two ways an employer can terminate its pension plan. First, the employer can end the plan in a “standard termination” but only after showing the PBGC that the plan has enough money to pay all benefits owed to participants. Under a standard termination, the plan must either purchase an annuity from an insurance company (which will provide you with periodic retirement benefits, such as monthly, for life or for a set period of time when you retire) or, if your plan allows, issue one lump-sum payment that covers your entire benefit. Your plan administrator must give you advance notice that identifies the insurance company (or companies) that your employer may select to provide the annuity. The PBGC’s guarantee ends when your employer purchases your annuity or gives you the lump-sum payment.

Second, if the plan is not fully-funded, the employer may apply for a distress termination. To do so, however, the employer must be in financial distress and prove to a bankruptcy court or to the PBGC that the employer cannot remain in business unless the plan is terminated. If the application is granted, the PBGC will take over the plan as trustee and pay plan benefits, up to the legal limits, using plan assets and PBGC guarantee funds.

Under certain circumstances, the PBGC may take action on its own to end a pension plan. Most terminations initiated by the PBGC occur when the PBGC determines that plan termination is needed to protect the interests of plan participants or of the PBGC insurance program. The PBGC can do so if, for example, a plan does not have enough money to pay benefits currently due.

**Benefit Payments Guaranteed by the PBGC**

When the PBGC takes over a plan, it pays pension benefits through its insurance program. Only benefits that you have earned a right to receive and that cannot be forfeited (called vested benefits) are guaranteed. Most participants and beneficiaries receive all of the pension benefits they would have received under their plan, but some people may lose certain benefits that are not guaranteed.

The amount of benefits that PBGC guarantees is determined as of the plan termination date. However, if a plan terminates during a plan sponsor’s bankruptcy and the bankruptcy proceeding began on or after September 16, 2006, then the amount guaranteed is determined as of the date the sponsor entered bankruptcy.

The PBGC maximum benefit guarantee is set by law and is updated each calendar year. For a plan with a termination date or sponsor bankruptcy date, as applicable in 2013, the maximum guarantee is $4,789.77 per month, or $57,477.24 per year, for a benefit paid to a 65-year-old retiree with no survivor benefit. If a plan terminates during a plan sponsor’s bankruptcy, and the bankruptcy proceeding began on or after September 16, 2006, the maximum guarantee is fixed as of the calendar year in which the sponsor entered bankruptcy. The maximum guarantee is lower for an individual who begins receiving benefits from PBGC before age 65; the maximum guarantee by age can be found on PBGC’s website, www.pbgc.gov. The guaranteed amount is also reduced if a benefit will be provided to a survivor of the plan participant.

The PBGC guarantees “basic benefits” earned before a plan is terminated, which includes:

- pension benefits at normal retirement age;
- most early retirement benefits;
- annuity benefits for survivors of plan participants; and
- disability benefits for a disability that occurred before the date the plan terminated or the date the sponsor entered bankruptcy, as applicable.
The PBGC does not guarantee certain types of benefits:

- The PBGC does not guarantee benefits for which you do not have a vested right, usually because you have not worked enough years for the company.

- The PBGC does not guarantee benefits for which you have not met all age, service, or other requirements.

- Benefit increases and new benefits that have been in place for less than one year are not guaranteed. Those that have been in place for less than five years are only partly guaranteed.

- Early retirement payments that are greater than payments at normal retirement age may not be guaranteed. For example, a supplemental benefit that stops when you become eligible for Social Security may not be guaranteed.

- Benefits other than pension benefits, such as health insurance, life insurance, death benefits, vacation pay, or severance pay, are not guaranteed.

- The PBGC generally does not pay lump sums exceeding $5,000.

In some circumstances, participants and beneficiaries still may receive some benefits that are not guaranteed. This depends on how much money the terminated plan has and how much the PBGC recovers from employers for plan underfunding.

Where to Get More Information

For more information about this notice, you may contact LANS Benefits and Investment Committee or Louis Polito, at Post Office Box 1663, MS P280, Los Alamos, NM 87545; 505-667-1806; or lpolito@lanl.gov. For identification purposes, the official plan number is 003 and the plan sponsor’s name and employer identification number or “EIN” is Los Alamos National Security, LLC and 20-3104541. For more information about the PBGC, go to PBGC’s website, www.pbgc.gov.

Additional Information

We wanted to remind you of your ability to request an estimate of your plan benefit. You can request an estimate of your current accrued benefit, or you can request an estimate of your benefit projected to a future date.

To request a benefit estimate electronically, access Your Pension Resources™ at http://pension.hewitt.com/LosAlamos. To request a free paper copy of a benefit estimate, call the LANS Pension Center toll free at 1-866-370-7301. Representatives are available 8am-4pm (Mountain).

In order to estimate your current accrued benefit, select a termination date of today's date and select a benefit start date equal to your Normal Retirement Date in the plan (usually age 60 at LANS). To project a future benefit, you may also select a projected termination date or an alternate benefit start date.

The fair market value of the Plan’s assets as of December 31, 2012 is required to include only 2012 plan year contributions made before this Funding Notice is provided. Additional contributions of $110,000,000 for the 2012 plan year will be made on or before the required due date of September 15, 2013.
Disclosure Statement and Disclaimer

This notice is intended to comply with the requirements of section 101(f) of the Employee Retirement Income Security Act of 1974, as amended. The disclosures provided in this notice are based on information available and believed to be accurate as of the date this notice is provided. All computations reflected in these disclosures have been performed based on a good faith interpretation of the applicable statutory and regulatory guidance in effect on the date this notice is provided. Such information and computations include, but are not limited to, the measurement of plan liabilities, reported values of plan assets, and allocation of assets. However, actual results for the Plan Year may change and will not be considered final until filed with the Department of Labor as part of the Annual Report (i.e., the Form 5500). Subsequently, such results will change only by amendment of the Annual Report for the Plan Year. See the Right to Request a Copy of the Annual Report section for information about how to obtain a copy of the Annual Report. The plan sponsor does not undertake any obligation to update or publicly release any revisions to this notice, and no such revisions will be issued, to reflect any changes, including but not limited to, changes in the manner in which particular calculations are performed, changes in expectations, the adoption of plan amendments or any other events or circumstances occurring after this notice is provided.