

QUESTIONS REGARDING CHANGES TO PVP

QUESTIONS AND ANSWERS FOR PVP PARTICIPANTS

The Pension Value Plan (PVP) is Boeing's main pension plan covering approximately 65,000 nonunion employees. The changes described here affect benefits under the PVP.

Q1. What's happening to my pension?

- A1.** First and foremost, you will keep all pension benefits you earn through Dec. 31, 2015. Between now and then, your PVP benefits will continue to accrue as they have, and the cash balance portion will grow with interest credits until you begin receiving your benefit.

As of Jan. 1, 2016, Boeing will shift from providing pay-based credits in the PVP defined benefit plan to making automatic contributions each pay period to your VIP savings account through a new component called VIP+. This new retirement benefit will accrue separately from, and in addition to, the PVP benefit you will have earned for your service through Dec. 31, 2015, plus any interest it accrues. Beginning Jan. 1, 2016, your retirement benefit will include the company-funded PVP monthly payment, the VIP+ contributions, your voluntary retirement savings and company-matching contributions.

Additionally, heritage company pension benefits features, which were unique to various pension plans prior to being rolled into the PVP, are being extended to all active PVP participants. This extension is only applicable for benefits accrued Jan. 1, 2014, through Dec. 31, 2015. As a result, you may see some of your PVP features improve slightly due to the adjustments being made to standardize the heritage pension benefits and comply with IRS rules.

Q2. Who is affected by this change?

- A2.** The transition from Boeing's defined benefit pension plans to the VIP+ contribution for future retirement benefits affects roughly 68,000 executive and nonexecutive participants in the PVP, the Boeing Satellite Systems Retirement Plan and the pension plans at two subsidiaries.

Q3. Will I lose any of the pension benefits I've already earned?

- A3.** No, you will not lose any vested pension benefits. All benefits you will have earned under the existing PVP through Dec. 31, 2015, including heritage company pension benefits, are secure and will remain part of your overall retirement plan.

Q4. What is VIP+?

- A4.** VIP+ is a new company-funded contribution that will become an additional component of your VIP retirement savings plan. Each pay period the company will make this automatic VIP+ retirement contribution to your VIP account. This approach to retirement savings is similar to the program that some 25,000 nonunion Boeing employees, hired since Jan. 1, 2009, already participate in as well as the programs that all IAM 751 and IAM 837 members will participate starting in 2016.

Q5. Does this mean I will have two 401(k) accounts, VIP and VIP+?

- A5.** You will have one 401(k) account – VIP – with three separate benefit components:

- Your contributions
- The company-matching contributions
- The VIP+ automatic company retirement contributions

These benefits are immediately vested. Unlike the PVP, VIP benefits stay with you throughout your career and you can more easily pass them on to your heirs.

Q6. How much are my VIP+ contributions going to be?

A6. Beginning in 2016 and lasting through 2018, the company will make special VIP+ transition benefit contributions each pay period to your VIP account. The VIP+ transition benefit will be as follows:

- 9 percent of your eligible income* in 2016
- 8 percent of your eligible income* in 2017
- 7 percent of your eligible income* in 2018

Starting in 2019, the company VIP+ contributions will be based on your age as follows:

- 3 percent of eligible income* for those under age 40
- 4 percent of eligible income* for those age 40-49
- 5 percent of eligible income* for those age 50 and over

This new VIP+ benefit will accrue separately from, and in addition to, your PVP. By providing VIP+, Boeing will continue delivering an attractive, market-leading benefit that contributes to your retirement security.

** Eligible income for nonunion employees includes base salary, incentive pay and shift differential (if applicable).*

Q7. How can I make the most of VIP+?

A7. Starting in 2016, you will have greater and more direct involvement in deciding how to invest your future retirement benefits. We are investing in tools and resources to help you assess the impact of these changes on your retirement income and make adjustments necessary to meet your financial goals, whether you are near retirement or many years away. The impact of the transition to VIP+ will vary depending on your age, length of service, accumulated savings and a number of other personal financial factors. See Question 25 for more information on how to access the retirement resources.

Q8. What are my investment options for VIP+?

A8. Your investment options for VIP+ will be the same as those available for the other VIP components. All contributions (yours, company matching and VIP+) will be combined and invested according to your investment elections. You will not need to make new investment elections unless you choose to do so.

Q9. What happens to my pension benefits through Dec. 31, 2015?

A9. Between now and Dec. 31, 2015, your PVP will continue to accrue benefits as it has. Your benefit features may also increase slightly due to standardization of heritage pension benefits. See Question 1.

Q10. What happens to my pension benefits beginning Jan. 1, 2016?

A10. All benefits you have earned under the existing pension plan are secure and will remain a part of your retirement plan. The cash balance portion of your PVP will grow with interest credits until you start receiving your pension benefit. Additionally, you will continue to earn service toward early retirement eligibility requirements.

Q11. Is there anything I need to do now?

A11. The transition from PVP to VIP+ will not occur until Jan. 1, 2016. It is always a good idea to regularly assess the progress you are making toward your retirement goals. To help you, we are making available a suite of new tools which includes retirement counseling, retirement planning seminars and a retirement income modeler. See Question 25 for information on accessing the retirement resources.

Q12. From a business perspective, what does Boeing hope to achieve with this change?

A12. Curbing the growth of our long-term pension liabilities is necessary to ensure our ability to invest in innovative and affordable products and services for our customers and continue to create jobs and career opportunities for employees. By taking this step, we are addressing the single biggest balance-sheet challenge we face. Over the past three years Boeing contributed a total of \$3.6 billion toward our pension obligations. This challenge continues to grow despite progress we have made converting all nonunion employees hired since 2009 and new hires of 28 unions to defined contribution plans over the past four years.

Q13. Why is Boeing making this change now when the company is doing so well?

A13. Pension liability growth and its impact on the business is independent of whether the company is performing well or not. Defined benefit pensions are subject to significant volatility and unpredictable funding requirements, driven mainly by the interest rate environment. These factors increase our costs and impact our ability to win business



Q21. How does the PVP transition compare to the retirement plans recently approved by members of the IAM 751 and IAM 837 unions?

A21. The new retirement plans for nonunion and union-represented employees remain an attractive, market-leading benefit that contributes to employees' retirement security. All three plans include a three-year transition benefit as well as automatic contributions each pay period to employees' retirement savings accounts that vest immediately. There are some differences based on plan design.

Q22. How does this new retirement plan compare to the retirement plan instituted for new hires in 2009?

A22. The PVP transition applies to all nonunion participants, including executives and nonexecutives alike, ensuring a consistent approach to retirement benefits. This new plan is nearly identical to the new-hire plan, with the same percentage of pay (based on age) contributed into employees' VIP accounts each pay period. Like the automatic company contributions for new hires, the automatic VIP+ contributions from Boeing will be fully vested immediately. One significant difference is that the PVP transition includes a special transition benefit during the first three years of the transition. Still, both plans provide an attractive, market-leading benefit that contributes to employees' retirement security.

Q23. Historically, it seems like we have had market-leading benefits to make up for average pay. Now that our benefits are changing, can we expect an increase in salary or incentive awards?

A23. Boeing benchmarks the salaries and incentives we pay our employees against those paid by peer companies in the market on an ongoing basis. We will continue to do that to make sure we offer an attractive total compensation package that includes market-competitive pay and incentives, market-leading benefits and world-class well-being programs.

Q24. Will I see more changes to my compensation and benefits?

A24. Because providing employees with a market-competitive total compensation package is a Boeing core value, we make adjustments when necessary. For instance, on Jan. 1, 2014, of this year level K, L and M managers transitioned from the EIP to a new, performance-based incentive plan called the Management Incentive Plan (MIP). The change is designed to reward our managers for their contributions to the company, bring us in line with other leading companies around the world and strengthen our ability to compete for and retain top talent.

Q25. Where can I find additional information and tools so I can calculate the impact of this change to my retirement plans?

A25. The retirement counseling, retirement planning seminars and retirement income modeler and all other information regarding the move from PVP to VIP+ can be accessed through TotalAccess.

- **Retirement Counseling:** Ayco is providing free, comprehensive retirement counseling sessions to employees for two years, from now until March 2016. To make an appointment, you may call Boeing TotalAccess at 866-473-2016, enter your BEMSID and when asked "How can I help you today?" say "retirement counselor." Hearing-impaired callers are encouraged to use the relay service offered by their phone carrier. Alternatively, you may use the Contact TotalAccess online form. Be sure to include your contact information, both email and phone, and the best time and time zone for a counselor to contact you. Inquiries will be responded to within three business days.
- **Retirement Planning Seminars:** Retirement planning webcasts will be available through the Boeing Education Network beginning in April. Visit <http://ben.web.boeing.com/BEN.html>. On-site seminars also will take place at select locations. Watch TotalAccess for announcements.
- **Retirement Income Modeler:** Beginning March 6, employees who participate in the PVP are being invited in phases via email to access Boeing Pension Plans Online, which houses the new retirement income modeler and the pension calculator. The new retirement income modeler for PVP participants estimates employees' total retirement income, combining employees' pension and Social Security annuities and VIP savings account balances.

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and develop new products. Tackling pension liabilities now is imperative given the intense competitive pressures in our markets and higher expectations of our customers. Both of our major businesses are facing aggressive global competition and are being asked to provide customers more affordable solutions today while making the investments in technology and innovation that are critical to secure our future.

Our objective in making this change at this time is twofold: continue providing an attractive, market-leading retirement benefit contributing to your retirement security, while also curbing the unsustainable growth of our long-term pension liabilities that threaten our capacity to invest in the future.

Q14. The company's pension liability has gone down from \$76 billion to \$69 billion in one year, without any change to the way we earn retirement benefits, so why is Boeing still moving ahead with this change?

A14. Even at \$69 billion, it is still the largest U.S.-based corporate pension liability and represents a major challenge to our competitiveness and ability to invest and grow. Our pension liability declined largely because of interest rate changes that helped every U.S.-based pension fund improve. However, interest rate changes are beyond Boeing's control. They can just as easily negatively impact our pension obligation, which would force Boeing to significantly increase contributions to the pension fund at relatively short notice. Shifting to VIP+ retirement contributions helps address the size and unpredictability of the pension liability, while still providing you with a market-leading retirement benefit.

Q15. Is this change going to save the company money?

A15. The company's annual cash contributions to our retirement plans will remain substantial from the transition through the end of the decade because we will be contributing to VIP+ in addition to meeting our ongoing funding obligations for the PVP. However, the key point is that our cash requirements become much more predictable, which is critical to our ability to invest in the new products and services that will help secure the future of Boeing and its employees. Over the long run our cash requirements will be lowered as we curb the growth – and eventually reduce – our long-term pension liabilities.

Q16. What is Boeing's pension liability and how does it stack up against other companies?

A16. The company's 2013 pension liability of \$69 billion topped all U.S.-based corporate pension plans and is by far the largest in the aerospace industry. Last year Boeing recorded \$3 billion in pension expenses which is about the same amount the company spent on Research and Development for all new products. Our pension expenses are factored into the cost of every contract we bid. Competitors with lower or no pension liabilities have an advantage.

Q17. Have pension liabilities caused other companies to switch to a defined contribution program like VIP+?

A17. Rising costs and obligations of traditional defined benefit pension plans like the PVP have created looming financial liabilities for many industries, companies and governments. It's a complex and difficult issue affecting financially strong companies as well as those struggling to compete. Other companies have come to the same conclusion as Boeing, including many of our airline customers and top global companies like IBM, Verizon and General Motors.

Q18. Are retirees or former employees affected?

A18. No. Retirees and former employees are not affected by these changes.

Q19. Does this mean that I need to retire early to maintain my PVP benefits?

A19. No. There is no reason to retire before the new plan goes into effect to preserve your PVP benefits. Your PVP benefits will continue to grow until the transition becomes effective. After that, the cash balance portion of your PVP will continue to grow with interest credits until your pension benefits begin.

Q20. After the transition to VIP+, will continuous service still count toward early retirement eligibility?

A20. Yes, after the transition, continuous service will still count toward early retirement eligibility based on age and years of service. Early retirement eligibility differs depending on your heritage benefit (if any) and when you joined the company.