NORTHROP GRUMMAN CORP /DE/
Form 11-K
June 25, 2014

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

(Mark One)

þ ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2013
OR

¨ TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to .
Commission file number: 1-16411

A. Full title of the plan and address of the plan, if different from that of the issuer named below:
NORTHROP GRUMMAN FINANCIAL
SECURITY AND SAVINGS PROGRAM

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:
NORTHROP GRUMMAN CORPORATION
2980 Fairview Park Drive
Falls Church, Virginia 22042

Northrop Grumman Financial
Security and Savings Program
Financial Statements as of December 31, 2013 and 2012,
and for the Year Ended December 31, 2013,
Supplemental Schedule as of December 31, 2013,
and Report of Independent Registered Public Accounting Firm

NORTHROP GRUMMAN FINANCIAL SECURITY AND SAVINGS PROGRAM
TABLE OF CONTENTS

NOTE: All other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because of the absence of conditions under which they are required.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Benefit Plans Administrative Committee of the
Northrop Grumman Financial Security and Savings Program

We have audited the accompanying statements of net assets available for benefits of the Northrop Grumman Financial Security and Savings Program (the "Plan") as of December 31, 2013 and 2012, and the related statement of changes in net assets available for benefits for the year ended December 31, 2013. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2013 and 2012, and the changes in net assets available for benefits for the year ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2013, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This schedule is the responsibility of the Plan's management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic 2013 financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ DELOITTE & TOUCHE LLP

Los Angeles, California
June 24, 2014

NORTHROP GRUMMAN FINANCIAL SECURITY AND SAVINGS PROGRAM

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

$ in thousands	December 31 2013 Retirement Account (1)	Savings Account (2)	Total	2012 Retirement Account (1)	Savings Account (2)	Total
Assets						
Investment in Northrop Grumman Defined Contribution Plans Master Trust-at fair value	$235,083	$359,695	$ 594,778	$219,945	$348,808	$568,753
Short-term investments-at fair value	—	5,084	5,084	—	4,111	4,111
Total investments	235,083	364,779	599,862	219,945	352,919	572,864
Notes receivable from participants	—	3,329	3,329	—	4,055	4,055
Total assets	235,083	368,108	603,191	219,945	356,974	576,919
Liabilities						
Due to Northrop Grumman Corporation pension plans	9,666	—	9,666	20	—	20
Accrued expenses	23	72	95	38	69	107
Total liabilities	9,689	72	9,761	58	69	127
Net assets available for benefits at fair value	225,394	368,036	593,430	219,887	356,905	576,792
Adjustment from fair value to contract value for fully benefit responsive investment contracts	—	(3,293)	(3,293)	—	(6,985)	(6,985)
Net assets available for benefits	$225,394	$364,743	$590,137	$219,887	$349,920	$569,807

(1) Non-participant directed
(2) Participant directed
See notes to financial statements.

NORTHROP GRUMMAN FINANCIAL SECURITY AND SAVINGS PROGRAM

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Year Ended December 31, 2013		
$ in thousands	Retirement Account (1)	Savings Account (2)	Total
Investment Income			
Plan interest in Northrop Grumman Defined Contribution Plans Master Trust	$ 37,052	$ 48,610	$ 85,662
Interest	—	4	4
Total investment income	37,052	48,614	85,666
Additions			
Interest income on notes receivable from participants	—	145	145
Total additions	—	145	145
Deductions			
Benefits paid to participants	(13,471)	(33,868)	(47,339)
Other expenses	(34)	(68)	(102)
Total deductions	(13,505)	(33,936)	(47,441)
Transfers			
Transfers to Northrop Grumman Corporation pension plans	(18,040)	—	(18,040)
Increase in net assets	5,507	14,823	20,330
Net assets available for benefits			
Beginning of year	219,887	349,920	569,807
End of year	$225,394	$364,743	$590,137

(1) Non-participant directed
(2) Participant directed
See notes to financial statements.

3

NORTHROP GRUMMAN FINANCIAL SECURITY AND SAVINGS PROGRAM
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2013 AND 2012, AND FOR THE YEAR ENDED DECEMBER 31, 2013

1. DESCRIPTION OF THE PLAN

The following description of the Northrop Grumman Financial Security and Savings Program (the "Plan") provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General

The Plan is a qualified defined contribution plan established for the benefit of certain employees of Northrop Grumman Corporation (the "Company" or NGC) acquired as part of NGC's acquisition of Litton Industries, Inc. The Company's former Shipbuilding business was part of Litton Industries, Inc. In 2011, the Company completed a spin-off of the Shipbuilding business into Huntington Ingalls Industries, Inc. (HII). The spin-off resulted in the transfer of participating employees in the Plan into a separate HII sponsored plan. The Plan is now frozen to new participants and no further contributions are required or permitted.

Both the savings and employee stock ownership plan features are reported within the Plan's financial statements. The Plan's Benefit Plans Administrative and Investment Committees control and manage the operation of the Plan. State Street Bank and Trust Company ("State Street" or the "Trustee") serves as the Trustee of the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

The Plan holds investments in retirement account assets ("FSSP Retirement Account") and savings account assets ("FSSP Savings Account") in the Northrop Grumman Defined Contribution Plans Master Trust (the "DC Master Trust") except for short-term investments.

Vesting

A participant is always fully vested in their deposits (including any investment earnings thereon). Participants vest at 50 percent in all Company matching contributions, plus related investment earnings after two full years of service and 100 percent after three full years of service. All participants will be fully vested in Company matching contributions during 2014. Full vesting also occurs if a participant (while in the employment of the Company) dies, becomes totally disabled, or terminates employment on or after reaching age 65. Nonvested amounts of a participant's Company matching contributions are forfeited upon termination of employment if the participant takes a distribution of his or her vested account balance. Otherwise, forfeiture shall not occur until the participant has incurred a five-year break in service. Forfeitures for a terminated participant may be restored depending on the time elapsed from the termination date and the time that the participant becomes reemployed by the Company.

Forfeited Accounts

At December 31, 2013, there were no forfeited accounts. At December 31, 2012, forfeited accounts totaled $15,000, which were reallocated to earnings during that year.

Participant Accounts

An account is maintained for each participant. Each participant's account is increased or decreased with the participant's withdrawals and allocations of Plan earnings/losses and expenses. Allocations are based on participant earnings on account balances, as defined in the Plan document. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Investment Options

Participant deposits to the FSSP Retirement Account are invested in the Balanced Fund in the DC Master Trust. Before the plan was frozen in 20ll, a participant could direct his or her participant deposits in one percent increments, to be invested in one or more of the FSSP Savings Account investment options described below. The investment funds are managed by a professional investment manager appointed by the Plan's Investment Committee.

U.S. Equity Fund — The U.S. Equity Fund consists predominantly of holdings in large- and medium-sized U.S. company stocks. The fund's objectives are to achieve a high total return through long-term growth of capital and the reinvestment of current income.

U.S. Fixed-Income Fund — The U.S. Fixed-Income Fund primarily consists of holdings in marketable, fixed-income securities rated within the three highest investment grades assigned by Moody's Investor Services or Standard & Poor's

Corporation, U.S. Treasury or federal agency obligations, or cash equivalent instruments. The fund is diversified by investing in a range of fixed-income securities that mature, on average, in eight to ten years.

4

Northrop Grumman Stable Value Fund — Investments in the Northrop Grumman Stable Value Fund ("Stable Value Fund") are diversified among U.S. government securities and obligations of government agencies, bonds, short-term investments, cash and investment contracts issued by insurance companies and banks (see Note 6).
Northrop Grumman Fund — The Northrop Grumman Fund (“NG Stock Fund”) invests primarily in Northrop Grumman Corporation common stock.
Balanced Fund — The Balanced Fund is designed to provide investors with a fully diversified portfolio consisting of targeted proportions of fixed-income securities (35 percent), U.S. equities (45 percent), and international equities (20 percent). The fund seeks to exceed the return of the bond market and approach the return of the stock market, but with less risk than an investment only in stocks.
International Equity Fund — The International Equity Fund consists of stocks of a diversified group of companies in developed countries outside of the U.S. The fund’s objectives are capital appreciation over the long term, along with current income (dividends).
Small Cap Fund — The Small Cap Fund consists of a diversified group of U.S. companies with lower market capitalization and higher revenue growth than the large, well-established companies that make up the S&P 500 Index. The fund seeks to provide capital appreciation over the long term, rather than current income.
Emerging Markets Fund — The Emerging Markets Fund consists of a diversified portfolio of stocks issued by companies based in developing countries. The fund’s objective is capital appreciation over the long term.
Retirement Path Portfolios — Each retirement path is a broadly diversified portfolio of funds consisting of equities, fixed-income securities, and other investments tailored to the investment time horizon of the investor. The name of each strategy reflects the year when the investor will most likely begin to draw interest and/or principal out of their portfolio. The portfolios are the Retirement Path, the 2015 Retirement Path, the 2020 Retirement Path, the 2025 Retirement Path, the 2030 Retirement Path, the 2035 Retirement Path, the 2040 Retirement Path, the 2045 Retirement Path, the 2050 Retirement Path, and the 2055 Retirement Path.
Participants may change their investment elections in the FSSP Savings Accounts daily. Existing account balances can also be transferred daily, subject to certain restrictions.
Amounts deposited into each investment fund buy units of that fund based on unit values that are updated daily prior to any Plan transactions, including withdrawals, distributions, and transfers. The value of each participant's account is dependent upon the number of units purchased to date and the current value of each unit.

Notes Receivable from Participants

Participants may borrow from their vested FSSP Savings Account balance a minimum of $1,000, up to a maximum equal to the lesser of $50,000, reduced by the highest outstanding loan balance over the past 12 months, or 50 percent of their vested account balances. A participant may not have more than two outstanding loans at any given time (except for those merged from other plans). Loans are prorated across all investment funds and are secured by the balance in the participant's FSSP Savings account. The interest rate is fixed on the last business day of each month at the prime rate plus one percent. Repayments are made from payroll deductions (for active employees) or other form of payment (for former employees or employees on leave of absence). The maximum loan period for a regular loan is five years except that participants may obtain 15-year loans if used to acquire a dwelling that is the principal residence of the participant. Loans may be repaid early in full; partial early repayments are not permitted. As of December 31, 2013, participant loans have maturities through 2027 at interest rates ranging from 4.25 percent to 8.75 percent. As of December 31, 2012, participant loans had maturities through 2027 at interest rates ranging from 4.25 percent to 9.5 percent.

Payment of Benefits

Upon termination of employment with the Company (including termination due to death, disability, or retirement), a participant may receive a lump-sum payment of FSSP Retirement and/or Savings Account balances (net of any outstanding loan balances). A participant may also delay payment until the age of 70 $^1/2$ if the total account balance exceeds $1,000. In addition, a participant has the option of choosing to take the total distribution as an annuity subject to Plan terms. At retirement, a participant may also elect a rollover of his or her FSSP Retirement Account to other Company pension plans. Certain partial distributions after termination of employment and before age 70 $^1/2$ are permitted by the Plan. Participants may roll over account balances to individual retirement accounts or another

employer's qualified retirement plan to defer federal and most state income taxes.
Distributions from the NG Stock Fund will be paid in cash, stock, or a combination thereof, depending on the participant's election.

5

Withdrawals

A participant may withdraw all or a portion of his or her vested Company matching contributions (plus earnings) and all or a portion of his or her FSSP Savings Account deposits, net of any loan balances outstanding, for any reason after reaching age 59 $^{1}/2$, or prior to reaching age 59 $^{1}/2$ in the case of hardship (as described in the Plan document). Such withdrawals are subject to tax withholdings as appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Risks and Uncertainties

The Plan invests in various securities, including U.S. and foreign government securities, corporate debt instruments, domestic equities, asset-backed securities, mortgage-backed securities, mutual funds, common/collective trust funds and a stable value fund. Investment securities are exposed to various risks, including interest rate and credit risk, overall market volatility, and risks related to U.S. and foreign government stability. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities may occur in the near term, and those changes could materially affect the amounts reported in the financial statements.

Fair Value of Financial Instruments

The Plan utilizes fair value measurement guidelines prescribed by GAAP to value financial instruments. The guidance includes a definition of fair value, prescribes methods for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and expands disclosures about the use of fair value measurements.

The valuation techniques utilized are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect internal market assumptions. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

These two types of inputs create the following fair value hierarchy:

Level 1 - Quoted prices for identical instruments in active markets. Level 1 investments of the DC Master Trust and the Plan primarily include common stock, preferred stock, open-end mutual funds, and closed-end mutual funds based on pricing, frequency of trading and other market considerations.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable. Level 2 investments of the DC Master Trust and the Plan primarily include short-term investment funds and common/collective trust funds based on the use of net asset valuations derived by investment managers and fixed-income securities based on broker quotes or model-derived valuations. As of December 31, 2013 and 2012, there were no unfunded commitments, redemption notice periods greater than seven days or other redemption restrictions for the common/collective trust funds or short-term investment funds. Funds generally have daily redemption frequencies.

Level 3 - Significant inputs to the valuation model are unobservable. There were no Level 3 investments in the Plan during the years ended December 31, 2013 and 2012.

Investment Valuation and Income Recognition

The Plan’s investments are stated at fair value as determined by the Trustee pursuant to the DC Master Trust Agreement. The Plan's Investment Committee provides direction and oversight of the valuation process. Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Plan’s investments, including the underlying investments in the DC Master Trust, are valued as follows:

Investments in domestic and equity securities, which include common and preferred stock, are valued at the last reported sales price of the stock on the active market on which the securities are traded on the last business day of the Plan year. Mutual funds are valued at quoted market prices that represent the net asset values of shares held by the Plan at year-end. Investments in common/collective trust funds and short-term investment funds are valued based on the redemption price of units owned by the Plan, which is based on the current fair value of each fund's underlying net assets. Unit values are determined by the financial institution sponsoring such funds by dividing each fund's net assets at fair value by its units outstanding at the valuation dates. Fair values for other securities, including U.S. government, corporate debt, mortgage-backed, asset-backed and other fixed-income securities, which are not exchange-traded, are valued using third-party pricing services. These pricing services use, for example, recent broker-dealer quotations or model-based pricing methods that use significant observable inputs such as relevant yield curves, credit information of the underlying security, prepayment projections, cash flows and other security characteristics to determine fair value as of the last trading day of the year. If market values are not available from the above sources, the fair value is provided to the Trustee by the party with authority to trade in such securities (investment managers or the Investment Committee, as applicable).

The fair value of guaranteed investment contracts (GICs) held by the Plan through the Stable Value Fund of the DC Master Trust is equal to the total fair value of the underlying assets, plus the total contract rebid value, which is calculated by discounting the excess annual rebid fee over the duration of the contract assets. The GICs are considered to be fully benefit-responsive and therefore their carrying value is adjusted from fair market value to contract value in the statements of net assets available for benefits.

All securities and cash or cash equivalents are quoted in the local currency and then converted into U.S. dollars using the appropriate exchange rate obtained by the Trustee. 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. Broker commissions, transfer taxes, and other charges and expenses incurred in connection with the purchase, sale, or other disposition of securities or other investments are added to the cost of such securities or other investments, or are deducted from the proceeds of the sale or other disposition thereof, as appropriate. Taxes, if any, on fund assets, or on any gain resulting from the sale or other disposition of such assets, or on the earnings of the funds, are apportioned among the participants whose interests in the Plan are affected, and the share of such taxes apportioned to each such person is charged against his or her account in the Plan.

In performing any valuations or calculations required of the Trustee, the Trustee relies on the prices provided by pricing sources, the investment managers, the Investment Committee or the participant's broker as a certification as to the value.

The DC Master Trust allocates investment income, realized gains and losses, and unrealized appreciation and depreciation on the underlying securities to the participating plans daily based upon the market value of each plan's investment. The unrealized appreciation or depreciation amount is the aggregate difference between the current fair market value and the cost of investments. The realized gain or loss on investments is the difference between the proceeds received and the average cost of investments sold.

Notes Receivable from Participants

Participant loans are measured at their outstanding balances, plus accrued interest.

Expenses

Plan expenses are paid by the Plan or the Plan sponsor as provided in the Plan document. Fees incurred by the plan for investment management services and recordkeeping are presented as an offset to total investment income in the Statement of Changes in Net Assets Available for Benefits.

Payment of Benefits

Benefit payments to participants are recorded upon distribution. Amounts allocated to accounts of participants who have elected to withdraw funds from the Plan but have not yet been paid were $665,000 and $326,000 at December 31, 2013 and 2012, respectively, and such amounts continue to accrue investment earnings (losses) until paid.

Transfers

A participant may elect to transfer their vested FSSP Retirement Account balance to certain Company pension plans or elect a lump-sum payment or annuity as permitted by the Plan. The total amount transferred from the Plan to other Company pension plans was $18,040,000 for the year ended December 31, 2013. The total amount payable to other Company pension plans as of December 31, 2013 and 2012, was $9,666,000 and $20,000 respectively.

Accounting Standards Updates

Accounting standards updates effective after December 31, 2013, are not expected to have a material effect on the Plan's statements of net assets available for benefits or statement of changes in net assets available for benefits.

3. INVESTMENTS

The Plan's investments consist of a proportionate interest in certain investments held by the DC Master Trust. Those investments are stated at fair value determined and reported by the Trustee, in accordance with the DC Master Trust Agreement established by the Company.

Proportionate interests of each participating plan are determined based on the standard trust method of accounting for master trust arrangements. Plan assets represent four percent of total net assets reported by the Trustee of the DC Master Trust as of December 31, 2013 and 2012.

The net assets of the DC Master Trust as of December 31, 2013 and 2012, are as follows:

$ in thousands	2013	2012
Assets		
Cash equivalents and short-term investment funds	$93,761	$171,030
Equities		
Common and preferred stock	1,606,446	1,058,806
Common/collective trust funds	9,729,237	7,489,593
Fixed income		
U.S. and foreign government securities	285,544	321,957
Corporate debt instruments	221,843	213,974
Asset- and mortgage-backed securities	325,033	330,141
Common/collective trust funds	702,538	942,660
Guaranteed investment contracts	2,982,899	2,849,065
Collateral held under securities lending agreements	791,181	1,152,626
Assets on loan to third-party borrowers	775,137	1,129,452
Total investments	17,513,619	15,659,304
Receivable from broker for investments sold	2,508	721
Dividends, interest, taxes and other receivables	6,876	6,905
Total assets	17,523,003	15,666,930
Liabilities		
Collateral held under securities lending agreements	791,181	1,152,626
Due to broker for securities purchased	23,483	44,316
Total liabilities	814,664	1,196,942
Net assets of the DC Master Trust — at fair value	16,708,339	14,469,988
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(120,663)	(248,674)
Net assets of the DC Master Trust	$16,587,676	$14,221,314

Investment income for the DC Master Trust for the Plan year ended December 31, 2013, is as follows:

$ in thousands	2013
Investment income	
Net appreciation (depreciation) in fair value of investments	
Equities	
Common and preferred stock	$677,888
Common/collective trust funds	1,891,795