Pension Change Fact Sheet

CENTER FOR RETIREMENT RESEARCH AT BOSTON COLLEGE

March 2006

Company Name: Hospira, Inc.

U.S. Employees: 9,800

Type of Plan(s): Traditional Defined Benefit — 8,000-8,500 participants affected

Date Announced: Second quarter 2004

Date Effective: December 31, 2004

Description of Freeze: *Total Freeze*. U.S. non-union members in Hospira's "Abbott/Hospira Transitional Annuity Retirement Plan" will stop accruing new benefits on December 31, 2004. Employees hired after June 30, 2004, are not eligible to participate in the Transitional Annuity Retirement Plan.

Plan Solvency: At year end 2004, assets in the defined benefit pension plan totaled $324.6 million and projected obligations were $370.2 million.

Reported Financial Implication: Hospira, Inc. incurred a $1.6 million charge due to the recognition of previously unrecognized losses and prior service due to the freeze. Long term savings are not public information.

New Arrangements for Employees: The 401(k) plan was enhanced, beginning on January 1, 2005. Previously, Hospira contributed 5 percent of pay for employees that contributed 2 percent or more to their 401(k) plan. Now they also contribute another 1 percent of pay for employees that contribute 3 percent or more of their pay to their 401(k). Employees will be immediately vested, both regarding their contributions and Hospira's. Also, Hospira will contribute an additional 3 percent of an employee's eligible pay to their 401(k), each pay period, for employees that are age 40 and over who contribute at least 2 percent of their salary to their 401(k) plan. This contribution will continue for five years, until December 31, 2009.

Background: Hospira, Inc. began trading on the NYSE on May 3, 2004, as one of the largest hospital products manufacturers in the United States. It is a global specialty pharmaceutical and medication delivery company that was spun off from Abbott Laboratories. There is currently a class action lawsuit against Abbot Laboratories and Hospira. It is alleged that, during the spin off, employees were terminated in order to deny them retirement benefits. These terminated employees were offered work at Hospira, but with less generous benefits. Additionally, the two companies adopted a policy in which employees could not transfer employment between the two companies for two years.

References

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