

Heritage Pension Plan Changes FAQs

Below are the Q&As that will be available on Fidelity's website. We'll continue to add information as questions arise.

- 1. Q: Who will be impacted by the heritage pension plan changes?**
A: The plan changes affect Amoco, ARCO, Toledo Master Hourly, and Castrol employees who are active as of June 1, 2011 and have a heritage pension benefit. This is roughly one third of BP's US population.
- 2. Q: What happens if I terminate employment prior to June 1, 2011?**
A: Participants who terminate employment prior to June 1, 2011 are not impacted by the plan changes.
- 3. Q: When are the heritage benefit formulas scheduled to freeze?**
A: In the US, BP has four grandfathered heritage pension formulas that are due to freeze on the following dates:
Amoco December 31, 2012
ARCO December 31, 2013
Toledo Master Hourly December 31, 2013
Castrol December 31, 2014
- 4. Q: Are the heritage freeze dates being extended?**
A: The freeze dates are not being extended. However, based on the pension changes being made, impacted participants will now earn an additional pension benefit after their freeze date. For details see the Q&As below that describe these enhancements.
- 5. Q: What are the core issues associated with the heritage formulas?**
A: Below is a summary of the two core issues that are impacting U.S. employees with regard to the heritage grandfathered formulas.

 - **Interest rate volatility**
A higher interest rate produces a lower lump sum value and vice versa (i.e., a 100 basis point increase will reduce lump sums by roughly 10% to 15%). As the lump sum interest rate continues to transition to the corporate bond rates, which on average are about 100 basis points higher than the 30-year Treasury bond rates, this could decrease the value of the lump sum pensions for heritage employees.
 - **Future pension accruals**
Those who remain employed after their heritage formula freezes typically would not earn additional pension benefits for several years. This is referred to as "wear away."
- 6. Q: What is BP doing to address these core issues?**
A: Below is a summary of the enhancements that will be implemented to resolve these two outstanding issues.

 - **To address the interest rate issue**, BP will eliminate interest rate volatility by calculating all future lump sum benefits, for July 1, 2011 and later benefit commencement dates, for those active on June 1, 2011, using the better of a 4.8% frozen interest rate or the prevailing IRS interest rates. The frozen interest rate of 4.8% closely approximates the lump sum interest rate for a participant if s/he leaves employment and elects a benefit commencement date of July 1, 2011.

- **To address future pension accruals**, after their heritage formula freezes, heritage employees will have a BP pension benefit made up of two parts, (Part A + Part B):
 - **Part A** – The frozen benefit from the heritage formula. At benefit commencement, this lump sum benefit will be calculated using the better of a frozen 4.8% interest rate or the prevailing rates.
 - **Part B** – In addition, heritage employees will earn a pension benefit under a new BP cash balance account beginning on their heritage freeze date. This account will grow through the addition of pay credits and interest credits. The pay credits are determined based on the participant's age and years of service using the current BP cash balance formula. The interest credits are determined based on the 30-year Treasury rate or 5% – whichever is higher.
- If you are an impacted employee, you will always receive the better of the sum of Part A + Part B or your existing cash balance account. If you terminate employment prior to your freeze date, you will not have earned a Part B benefit.

7. Q: How do these changes impact my benefit?

A: The frozen interest rate will increase your heritage lump sum benefit if the prevailing IRS interest rates are greater than 4.8%. Future pension accruals under the new cash balance account will be added to your frozen heritage benefit beginning on the freeze date, which will also increase your benefit. Your pension benefit will always be at least equal to or greater than your benefit under the current pension formula.

8. Q: How do these changes impact my existing cash balance account?

A: Your existing cash balance account will not be affected by these changes. You will continue to earn pay credits and interest credits according to the current cash balance formula. Your existing cash balance account will be compared to your new Part A + Part B benefit to determine your winning pension benefit at retirement.

9. Q: How do these changes impact my non-qualified pension benefits?

A: If you have a non-qualified pension benefit, the qualified pension plan changes being made would also apply to your non-qualified pension benefit.

10. Q: Why did you choose the interest rate of 4.8%?

A: The 4.8% rate is the single rate that is calibrated to the current interest rate environment and is indicative of the lump sum rate that a heritage employee would receive for a July 1, 2011 benefit commencement date.

11. Q: Will the Amoco temporary annuity supplement continue?

A: The Amoco temporary annuity supplement will continue for those who meet early retirement eligibility. The temporary annuity supplement benefit will be frozen as of December 31, 2012.

12. Q: If I am not eligible for the Amoco temporary annuity at the freeze date, can I grow into eligibility?

A: Yes, if you are an Amoco heritage employee, you can grow into eligibility for the temporary annuity if you terminate on or after attaining age 50 and 15 years of vesting service. The temporary annuity supplement benefit will be frozen as of December 31, 2012.

13. Q: What payment options are affected by this change?

A: The lump sum and Qualified Joint and Survivor annuity (50% J&S) will be determined using the better of the 4.8% interest rate or the prevailing IRS interest rates.

14. Q: How can I model my new pension benefit?

A: Fidelity's systems have not yet been updated to accommodate these plan changes. However, if you are currently able to model your pension benefit on the Fidelity NetBenefits web site (www.netbenefits.fidelity.com), you can continue to do so for benefits payable up to the date your heritage benefit is scheduled to freeze. The NetBenefits web site will continue to use the prevailing IRS interest rates (a blend of the 30-year Treasury bond rate and the corporate bond segment rates), if known, or you can model an interest rate for any benefit payment dates for which the prevailing rates are not yet known. See below for instructions on how to model these new pension plan changes:

➤ **If you are an impacted employee and are modeling a termination date prior to your respective freeze date, benefit commencement date can be either before or after the freeze date, to see the impact of the 4.8% interest rate freeze:**

In Fidelity's NetBenefits (www.netbenefits.fidelity.com), enter 4.8 into the "Interest Rate Assumption per year" field. The results will reflect a 4.8% interest rate for your heritage benefit as long as the prevailing IRS interest rates are not known (i.e., the commencement date is more than four months out). Check the Assumptions Detail on the Results Screen to see if your heritage benefit is winning and to confirm that the 4.8% interest rate was utilized. If a rate other than 4.8% is shown in the Assumptions Detail that means that the prevailing IRS interest rates are already known for the benefit commencement date you chose.

If your pension calculation is not currently automated or you are unable to model the 4.8% interest rate because the known rates were used by the system, you may contact Fidelity to request a manual calculation.

➤ **If you are an impacted employee and are modeling a termination date after your respective freeze date to see the impact on your benefit:**

In Fidelity's NetBenefits (www.netbenefits.fidelity.com), enter 4.8 into the "Interest Rate Assumption per year" field. The results will reflect a 4.8% interest rate for your heritage benefit. Check the Assumptions Detail on the Results Screen to see if your heritage benefit is winning.

Please note that when modeling on NetBenefits after the freeze date, estimates WILL NOT include the new Part B cash balance amount. A tool similar to the Interest Rate Tool is being developed that will allow you to model your new Part B benefit. This new tool is expected to be available by mid-summer 2011.

Please note that if you are an Amoco employee, the total value of your benefit WILL NOT include the temporary annuity if your Benefit Commencement Date is January 1, 2013 or later.

If your pension calculation is not currently automated you may contact Fidelity to request a manual calculation.

15. Q: How many requests can I make for pension calculations?

A: Because it will take Fidelity some time to implement these pension changes for automated calculations, please only request retirement packages if you are seriously considering retirement within the next six months. You may request up to five calculations per year based on the 4.8% interest rate.

16. Q: How long will it take to receive a modeling request from Fidelity?

A: It is expected to take up to 20 business days, depending on the volume of requests.

17. Q: If I have additional questions, who do I contact?

A: Questions about the BP Pension Plan can be directed to BP Retirement Services at Fidelity by calling BP Retirement Services at 1-877-272-3334 (toll-free within the U.S.). From outside the U.S., participants can dial their country's toll-free AT&T USADirect® access number* then enter 1-877-272-3334. Participants calling from an area unsupported by AT&T Direct should use the following international collect number: 1-508-787-9902. Participants needing TDD#, please dial 1-888-343-0860. Service Representatives are available Monday through Friday (except New York Stock Exchange holidays) 7:30 a.m. to 11:00 p.m. Central time.