



# A guide to the BP Retirement Accumulation Plan for ARCO Heritage Participants

# RAP

This brochure presents a high level explanation of certain provisions of the BP Retirement Accumulation Plan. For more detailed information, review your Employee Benefits Handbook or click on the "Employee Benefits Handbook" tab on BP's LifeBenefits site at <http://www.bp.com/lifebenefits>.

As a former ARCO employee who was both on the BP payroll on January 1, 2002 and a participant in the Atlantic Richfield Retirement Plan (“ARCO Retirement Plan”) on December 31, 2001, you’re eligible for the grandfathered ARCO pension formula, with continued accruals through December 31, 2013. As a result, your pension benefit is calculated under the following two formulas:

- First, your benefit is calculated under the BP cash balance formula;
- Then, your benefit is calculated under the provisions of the ARCO Retirement Plan when it was merged into the BP Retirement Accumulation Plan (“RAP”);

You’ll receive the “winning benefit,” which is the higher of the two calculations above.

First, let’s review how the BP cash balance formula works. Then we’ll look at an example of a grandfathered retirement calculation and explain how you can use the pension modeling tool on Fidelity’s NetBenefits<sup>SM</sup> website.

## How the RAP works

The RAP features a cash balance formula under which your retirement benefit grows steadily throughout your career with BP. Eligibility is immediate and BP pays the entire cost of the plan. Eligible earnings for the BP cash balance formula include base pay, overtime, and your annual bonus. As an ARCO heritage employee, you're 100% vested, which means that you own your benefit without risk of forfeiture and you can take it with you when you leave BP.

As an ARCO heritage employee you have two cash balance accounts under the RAP – a Current Account and an Opening Account.

### Your Current Account

Your Current Account accumulates pay credits and regular interest credits that are posted monthly.

- **Pay credits** are a percentage of your monthly eligible earnings, based on your age and/or service – whichever results in the higher percentage.
- **Regular interest credits** apply to the balance in your Current Account and are currently based on the monthly average interest rate for 30-year Treasury bonds for the fourth month prior to the month credited, with a minimum annual rate of 5%. The rate adjusts each month.

**Note:** All references in this brochure to the ARCO Retirement Plan also apply to the CH-20, Inc., Retirement Plan, and the Vastar Resources, Inc. Retirement Plan, and all references to ARCO heritage employees include Vastar and CH-20 heritage employees. This brochure presents a high level explanation of certain provisions of the BP Retirement Accumulation Plan. For more detailed information, review your **Employee Benefits Handbook** or click on the "Employee Benefits Handbook" tab on BP's LifeBenefits site at [www.bp.com/lifebenefits](http://www.bp.com/lifebenefits).

## Schedule of cash balance pay credits

Pay Credit Formula (based on age and/or service)			Credits as a % of Your Eligible Pay (Up to 1/4 of the Social Security Wage Base)	Credits as a % of Your Eligible Pay (Above 1/4 of the Social Security Wage Base)
Age		Years of Vesting Service		
Under 40	<b>and</b>	Under 10	4%	7%
40 but less than 50	<b>or</b>	10 but less than 20	5%	9%
50 or more	<b>or</b>	20 or more	6%	11%

- Social Security Wage Base: \$94,200 for 2006; \$97,500 for 2007
- 25% of Social Security Wage Base: \$23,550 per year or \$1,962.50 on a monthly basis during 2006; \$24,375 per year or \$2,031.25 on a monthly basis for 2007

Your Current Account will continue to receive pay credits as long as you're employed by BP. Although pay credits stop if you leave BP, regular interest credits will continue until you elect to withdraw your benefit from the plan.

## Your Opening Account

**When you transitioned to the RAP on January 1, 2002** you received an **Opening Account balance** that reflected a lump sum present value of the benefit you had accrued to that date under the ARCO retirement plan.

Your Opening Account does not receive monthly pay credits, but it is credited monthly with both supplemental and regular interest credits. The total (combined) annual interest rate is 150% of the regular interest crediting rate.

Your Opening Account will continue to receive this supplemental interest as long as you're employed by BP. The supplemental interest credits stop if you leave BP; however, regular interest credits will continue until you withdraw your benefit from the plan.

## Grandfathered provisions

Because you transitioned into the BP Retirement Accumulation Plan directly from the ARCO Retirement Plan, your retirement benefit will be calculated under **both** the RAP cash balance formula and the ARCO plan formula. You'll get the **greater** of these two benefits.

### Calculating your benefit under the ARCO Heritage Plan formula

The ARCO heritage final pay formula uses your highest average pay and length of service to calculate your benefit. After December 31, 2013, earnings and service under the ARCO formula are frozen.

## Heritage ARCO formulas

### Primary formula

[1.18% x Highest Average Earnings (HAE)<sup>1)</sup> up to Social Security Integration Level (SSIL)<sup>2)</sup>

plus: 1.54% x HAE in excess of SSIL] x Service (max 35 years)

plus: 1.45% x HAE x Service greater than 35 years

<sup>1)</sup>Includes base pay only

<sup>2)</sup>SSIL is a specific dollar amount set forth in the plan and adjusted each year for inflation. If you leave BP after 2013, the SSIL will be frozen at the level for 2013. SSIL is \$27,900 for 2007.

Under the ARCO plan provisions, normal retirement age is age 65. You're eligible for early retirement as long as you have 10 or more years of membership service. If you're eligible for early retirement and elect to commence your benefit before age 65:

- Your benefit isn't reduced if you're at least age 60 when your benefit payments began.
- Your retirement benefit is reduced by 5% per year for each year the benefit commences prior to age 60. For example, if your benefit commences at age 58, your benefit would be reduced by 10% (5% for each of the two years remaining prior to age 60).

If you terminate employment with 10 or more years of membership service and commence your benefit before age 55, your benefit will be reduced by 5% per year for each year from age 60 to 55 and then actuarially reduced using the applicable IRS interest rate and mortality table for years prior to age 55.

If you have less than 10 years of membership service when you terminate employment and you commence your benefit before age 65, your age 65 benefit will be actuarially reduced using the applicable IRS interest rate and mortality table. Currently, the IRS interest rate is based on the 30-year treasury bond. Effective January 1, 2008, the IRS interest rate will change to a rate based on a corporate bond yield curve, although there will be a five-year transition to the new rate. The IRS mortality table will also change effective January 1, 2008 to reflect longer life expectancy.

For example, Bob is an ARCO heritage employee earning \$50,000 base pay in 2006, who retires on June 30, 2008 at age 59 with 20 years of service. Here are his calculations under both the RAP cash balance and the heritage ARCO plan provisions:

- **RAP cash balance account – \$171,091** lump-sum or **\$1,054/month** single life annuity at an interest rate of 5%
- **ARCO heritage formula – \$1,065/month** single life annuity, which converts to a lump sum of **\$172,893** at an interest rate of 5%. This benefit reflects a 5% reduction because Bob elected to commence his benefit at age 59 rather than age 60.

**Under the grandfathered provisions, Bob gets the “winning benefit,”** which in this case is provided under the heritage ARCO formula.

An annuity is converted to a lump sum by:

- Reducing the age 65 single life annuity for early commencement
- And then, multiplying this resulting amount by the lump sum conversion factor (which is derived from the IRS interest rate and mortality table).

## When you retire or leave BP

You can choose to take a distribution from the RAP as soon as you leave BP, or you can leave your balances in the plan where they will continue to earn regular interest credits. You can also roll over your balances to the BP Employee Savings Plan or to an IRA or other tax-qualified retirement plan.

When you take your distribution, several forms of payment are available including:

- Lump Sum – A single cash payment;
- Single Life Annuity – A fixed monthly benefit payable for your lifetime; or
- Joint and Survivor (J&S) Annuity – A reduced monthly benefit payable for your lifetime, with a percentage (i.e., 25%, 50%, 75% or 100% of that amount) continuing to your spouse or other beneficiary for their lifetime if you die first.

A complete list of payment options is available on the NetBenefits website at [www.netbenefits.fidelity.com](http://www.netbenefits.fidelity.com).

If you're married, spousal consent is required for any form other than a 50% or greater J&S annuity with your spouse as the joint annuitant. Benefits of \$1,000 or less are automatically paid as lump sums, and – unless you choose another form of payment – benefits greater than \$1,000 but not exceeding \$5,000 are automatically rolled over into a Fidelity IRA.

## Learning more about your retirement benefits

Although retirement calculations can be complicated, BP has provided you with an easy-to-use online calculation and modeling tool that you can use to explore various retirement scenarios. Just go to Fidelity's NetBenefits website [www.netbenefits.fidelity.com](http://www.netbenefits.fidelity.com), and select the BP Retirement and Savings Plans Online Tool.

This tool allows you to log on and manage your retirement accounts. You can:

- View your pension benefit – see your pension benefit under various forms of payment and model your pension benefit based on different assumptions about retirement dates, salary and bonus projections, and interest rates;
- Manage your savings plans – see current balances and portfolio allocations, change contribution percentages and investment allocations, transfer money between investment options;
- Manage personal information such as your beneficiary designation; and
- Learn more about planning for retirement.

## How to calculate your pension benefit

1. In your web browser, go to [www.netbenefits.fidelity.com](http://www.netbenefits.fidelity.com) and log in. If you have logged in before, you'll need either your Social Security number or the customer ID you previously set up, as well as the PIN you chose. If you're new to NetBenefits, you'll need to go through the New User Registration process.
2. On the **Home Page**, you'll see the balances and portfolio totals for your retirement accounts. Click on the BP Retirement Accumulation Plan.
3. To model your "winning benefit" click on **Estimate a Payment** under **Act** on the left hand side of the screen.
4. **The Estimate a Payment Page** will allow you to enter various assumptions that apply when estimating your pension benefit – including when you want to stop working (or retire), when you want to start receiving your benefit, as well as any salary increases, bonus percentages, and interest rates over time. After entering your assumptions, click **Calculate**.
5. The program will display your retirement plan "winning benefit" – the higher benefit between your grandfathered plan benefit and the RAP cash balance account – based on the assumptions you've entered.

**Note:** If you cannot model your pension benefit online, call the BP Retirement Services at Fidelity (1-877-272-3334) to request an estimate. Once requested, Fidelity will mail your calculation to your address on file within 7-10 business days.

For help with NetBenefits, or if you have any questions about your grandfathered retirement benefits, call BP Retirement Services toll-free at 1-877-272-3334 Monday through Friday, between 7:30 a.m. and 11:30 p.m. (central time), to speak with a service center representative.

**Disclaimer**

This brochure presents a high level explanation of certain provisions of the BP Retirement Accumulation Plan. In the event of any discrepancy between the material covered in this brochure and the official Plan Document and/or Summary Plan Description, the Plan Document and/or the Summary Plan Description shall prevail.

BP reserves the right to amend or terminate the plan or any of its features at any time (subject to collective bargaining where applicable).

