



# A guide to the BP Retirement Accumulation Plan for Amoco 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 Amoco Employee who was both on the BP Amoco payroll on July 1, 2000 and a participant in the Amoco Employee Retirement Plan on June 30, 2000, you're eligible for the grandfathered Amoco pension formula, with continued accruals through December 31, 2012. 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 Amoco retirement plan (formerly named Employee Retirement Plan of Amoco Corporation and Participating Companies) when it was merged into the BP Retirement Accumulation Plan ("RAP");

Your actual retirement benefit will be the "winning benefit," which is the higher of the two calculations above.

To help you understand how your Amoco heritage affects your pension benefit, let's review how the BP cash balance formula works along with the grandfathered Amoco provisions that apply to you. Then we will look at an example of a grandfathered retirement calculation and explain how you can use the NetBenefits tool on the Fidelity Web site to model your pension benefit.

# 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 both the BP cash balance and heritage Amoco formulas include base pay, overtime, and your annual bonus. You become 100% vested (meaning that you own your benefit without risk of forfeiture) after you complete five years of eligible Amoco and BP service. After you are vested, your benefit is portable – you can take it with you when you leave BP, or you can leave it in the plan to accumulate more interest.

As a grandfathered Amoco heritage participant 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 current month, with a minimum annual rate of 5%. The rate adjusts each month.

## 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 are employed by BP. Pay credits stop if you leave BP. However, regular interest credits will continue until you elect to withdraw your funds from the plan.

## Your Opening Account

**When you transitioned to the RAP on July 1, 2000** you received an **Opening Account balance** that reflected the lump sum present value of the benefit you had accrued to that date under the Amoco 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 (supplemental and regular 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 are employed by BP. The supplemental interest credits stop if you leave BP; however, regular interest credits will continue until you withdraw your funds from the plan.

## **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 <http://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.

# Grandfathered Provisions

Because you transitioned into the BP Retirement Accumulation Plan directly from the Amoco retirement plan, you also get the benefit of several special provisions:

- **If you leave BP on or before December 31, 2012** your retirement benefit will be calculated under both the RAP cash balance formula and the Amoco plan formula. You will get the **greater** of these two benefits. In addition, if you commence your benefit between ages 50 and 62, and before December 31, 2012 you will be eligible for a **Temporary Annuity Supplement** that lasts until you are eligible for Social Security benefits at age 62.
- **If you leave BP after December 31, 2012** your retirement benefit will continue to be calculated under the Amoco plan formula, using service and eligible pay as of December 31, 2012. That calculation becomes your **minimum benefit**. Thus, you will get the **larger** of:
  - your accrued benefit as of December 31, 2012 under the heritage Amoco plan formula (using your current age and vesting service for any age reduction factors), or
  - your cash balance account under the RAP.

## Calculating Your Benefit Under the Amoco Heritage Plan Formula

While your benefit will be calculated under both formulas, the heritage Amoco final pay formula is the one that produces the largest benefit for most people who are eligible for early retirement (50 years of age with 15 years of vesting service). This formula uses your highest average pay, length of service, and estimated Social Security benefit to calculate your benefit.

## Heritage Amoco Formulas

### Primary Formula

1.6667% x Highest Average Earnings (HAE)(1) x Service (max 36.0000 years)  
less:  
1.5% of your Primary Social Security Benefit (PIA) x Service (max 33.3333 years)  
\*Includes base pay, overtime and bonus

Under the Amoco plan provisions, normal retirement age is age 65. You can elect early retirement as long as you are at least age 50 and have 15 or more years of vesting service. If you are eligible for early retirement and elect to commence your benefit before age 65:

- Your benefit is not reduced for age if you were at least age 60 when your benefit payments began.
- Your retirement benefit is reduced by 5% per year for each year the benefit commences before you reach 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 before age 50 with 15 or more years of vesting service and commence your benefit before age 65, your age 65 benefit will be actuarially reduced for early commencement using the IRS provided 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.

If you retire early and begin your retirement benefit before you first become eligible for Social Security benefits at age 62, a Temporary Annuity Supplement is provided. The supplement ends when you turn age 62 (and thus become eligible for Social Security benefits). To be eligible for the supplement, you must also retire and commence your benefit before December 31, 2012.

## Temporary Annuity Supplement

1.5% of your Primary Social Security Benefit  $\times$  Service  
(max 33.3333 years)

- Payable from age 50 to age 62 as a monthly benefit or a lump sum representing this monthly benefit

Here's what Bob – a 59-year-old Amoco heritage employee earning \$50,000 in 2006, who retires on June 30, 2008 with 20 years of service – would receive under the RAP and the heritage Amoco plan provisions:

- **RAP cash balance account – \$105,097** lump-sum or **\$647.39/month** single life annuity
- **Amoco heritage plan – \$925/month** under the annuity benefit formula, which converts to a lump sum of **\$150,163** 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. It also reflects the value of the temporary annuity supplement for three years.

**Under the grandfathered provisions, Bob gets the “winning benefit,”** which in this case is the \$150,163 lump sum provided under the heritage Amoco 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).

Clearly, this is a very simplified example. Read on to see how we've made it easy for you to model your own benefit.

# Learning More About Your Retirement Benefits

Although retirement calculations can be complicated, through its partner, Fidelity, 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 NetBenefits<sup>SM</sup> ([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 plans – see accrued benefits, model your pension benefit based on different assumptions about retirement dates, salary and bonus projections, interest rates and forms of payment;
- Manage your savings plans – see current balances and portfolio allocations, change contribution percentages and investment allocations, transfer money between investment options;
- See your balances for your retirement accounts
- Manage personal information such as your beneficiary designation; and
- Learn more about managing your accounts and 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 will 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.

Retirement planning can be complicated, but BP has provided the NetBenefits online planning tool to make the process easier. If you find you want to save more to supplement your company-provided pension benefits, this online tool can help you plan the best way to do so.

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. CT, 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).

