



# Heritage Pension Plan Freeze FAQs

# Overview of changes

BP has four grandfathered heritage pension formulas that were frozen on the following dates:

- Amoco – December 31, 2012
- ARCO – December 31, 2013
- Toledo Master Hourly – December 31, 2013
- Castrol – December 31, 2014

The BP plan was amended in 2011 for Heritage participants (who were active on 6/1/2011) whose benefits were set to freeze on the dates above. The new plan provisions include the following:

- Part A = the frozen benefit using the Heritage formula
- Part B = new BP cash balance benefit beginning on each respective Heritage freeze date
- Part C = ongoing cash balance benefit
- The interest rate used to convert a heritage formula annuity to a lump sum will not exceed 4.8%

**Note:** After the applicable Heritage freeze dates, the winning (greater) benefit is (Part A + Part B) or Part C.

The Amoco temporary annuity supplement will continue to be available for participants who meet early retirement eligibility as of their separation (termination) date.

# Frequently Asked Questions (FAQs)

## Q. Why was the BP Plan amended?

**A.** The Plan was amended to address the following two core issues that impacted participants 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%). The 4.8% 'ceiling' for the lump sum conversion caps the interest rate exposure for heritage participants.

### **Future pension accruals**

Those who remain employed after their heritage formula freezes typically would not earn additional pension benefits for several years because the heritage benefit, in most cases, would exceed the ongoing cash balance benefits for some number of years despite the frozen accruals. This is referred to as "wear away."

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

**A.** Your ongoing cash balance benefit (Part C) 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 ongoing cash balance benefit will be compared to your Part A + Part B benefit to determine your winning (greater) pension benefit at your benefit commencement date.

## Q. How do these changes impact my benefit?

**A.** The frozen 4.8% interest rate will provide a greater Heritage lump sum benefit (Part A + Part B) than would otherwise be payable if the blended rates are greater than 4.8%. Future pension accruals under the new cash balance benefit (Part B) will be added to your frozen heritage benefit (Part A) beginning on the applicable freeze date, which will increase your total pension benefit. Your pension benefit will be the greater of A + B or your ongoing cash balance benefit (Part C).

## Q. What does it mean to “freeze” my Heritage benefit (Part A)?

**A.** Eligible earnings and benefit service continue to increase under the Heritage formulas until the applicable freeze date, if you continue active employment at the time, the earnings, benefit/membership service, and Social Security components of the formula will be frozen (This means the age 65 annuity will be frozen and will not change). The benefit paid will be based on your age and applicable interest rates at your benefit commencement date. If you continue to work after the freeze date, you will be eligible for the Part B benefit. Please see the Part B benefit explanation on the previous page.

## 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 participant, you can grow into eligibility for the temporary annuity after the freeze date 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.

## Q. Does the 4.8% interest rate apply to ABSC employees with a prior Heritage Benefit?

**A.** The 4.8% interest rate applies to all frozen heritage benefits including for the affected ABSC participants. However, since the 3% cash balance accrual began effective 4/01/2010, there was no ‘wear away’ period. Therefore, Part B would not apply to this group. Part B was only intended to fill the gap for those Heritage participants who would otherwise not have had a pension accrual for several years.

## Q. If I am eligible for the 4.8% interest rate, how does this interest rate impact my non-qualified pension benefit(s)?

**A.** For the Excess Compensation (Retirement) Plan, the TNK-BP Supplemental Retirement Plan and the Supplemental Executive Retirement Benefit plan, the 4.8% interest rate cap works as it does under the BP RAP.

**Q.** Will Fidelity be able to provide comparison calculation estimates?

**A.** Yes.

**Q.** Do I still need to use the PPA Interest Rate Calculator?

**A.** No. The system has been updated to incorporate all applicable interest rates. The interest rate calculator is available to reference historical rates.

**Q.** How do I know if my Heritage benefit or Cash Balance benefit wins?

**A.** After you run a calculation in NetBenefits® under “Estimate Your Pension”, click on the “Assumptions Details” link to view the winning (greater) benefit under the Lump Sum and Single Life Annuity options.

**Q.** How are the four interest rate inputs used in my calculation?

**A.** When interest rates are unknown (when your benefit commencement date is more than four months out), you may input a 30-Year Treasury rate and the three Corporate Bond Segment rates which will be used to determine your benefits at Benefit Commencement Date. If any of the four interest rates are left blank, the last known applicable interest rate will be used to determine your benefits at your benefit commencement date.

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

**A.** Questions about the BP Retirement Accumulation 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 USA Direct® 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. Representatives are available Monday through Friday (except New York Stock Exchange holidays) 7:30 a.m. to 11:00 p.m. Central time.

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