

## FAQs - Pension Lump Sum Conversion

### How is the lump sum floor benefit calculated?

Your accrued pension benefit through 12/31/2012 will be converted to a lump sum amount using the GATT rate applicable to 4<sup>th</sup> Quarter 2012 commencements (2.7%) and the pre-PPA mortality tables (1994 Group Annuity Reserving Table).

### Where can I find the current GATT lump sum discount rate information?

The current rates are posted towards the bottom of the home page at [www.mycpchembenefits.com](http://www.mycpchembenefits.com).

### Where can I find PPA lump sum discount rate information?

You can find it online at <http://www.irs.gov/retirement/article/0,,id=177406,00.html>. Starting in 2013, we will post the current and subsequent quarter's PPA rate on Benefitium. Beginning on August 1, 2012, the PPA rates also available in the "Assumption Details" box on the pension estimator results page.

### I don't understand why my lump sum goes up when the interest rate goes down. Can you explain?

When the interest rate is low, more money is needed as a lump sum to last a lifetime, so lump-sum values increase. Conversely, when interest rates are high, less money is needed as a lump sum to last a lifetime, so lump-sum values decrease.

### Why is CPChem making this change?

To remain competitive and comply with guidelines from the IRS and the Pension Protection Act of 2006.

### How accurate is the pension estimator on NetBenefits?

The estimator will be using the exact same calculation engine that Fidelity uses to create your final estimate that you receive when you retire. Fidelity and CPChem have thoroughly tested the newly enhanced engine to ensure accuracy and compliance.

### When will my exact floor amount be known and final?

Your exact floor amount will not be known until your 2012 EIP bonus is paid and the 2012 Success Sharing Credit, if any, is applied to your account. These are usually awarded in late March (2013) and are the final pieces that will determine your exact floor amount. Before March 2013, CPChem and Fidelity must conservatively assume a 0% success-sharing payout, so your floor amount used in the estimator before that time may be lower than your final amount.

### How do I find out what my lump sum floor amount is?

Run a pension estimate on [www.netbenefits.com](http://www.netbenefits.com) using a benefit commencement date soon after 12/31/2012 (i.e. 2/1/2013 or 3/1/2013), or call the CPChem Pension and Savings Service Center at 1-866-771-5225. Your estimated floor amount is also available in the "Assumption Details" box on the pension estimator results page.

### How can I find out the details that make up my lump sum amount?

If you are considering retirement, request an official pension estimate from Fidelity by calling them at 1-866-771-5225. The details of your lump sum floor amount will be included.

### What if I decide to take an annuity, will there be any changes on 1/1/2013?

The lump sum conversion will not affect your pension benefit if you choose an annuity payment option because annuities do not rely on interest rates for calculation.

### **What if I plan to retire before 1/1/2013?**

Your benefits will be calculated and paid using the GATT rates posted on [www.mycpchembenefits.com](http://www.mycpchembenefits.com). For commencements in the 3<sup>rd</sup> quarter of 2012, the rate is 3.28%. Commencements in the 4<sup>th</sup> quarter of 2012 will use 2.70%.

### **What do I need to do?**

No immediate action is needed on your part. The lump sum floor protection benefit will be calculated automatically for all CPChem Pension Plan participants as it is not elective. We are simply communicating the change so that you can make an informed decision once you are ready to retire. When you are considering retirement, go online to [www.netbenefits.com](http://www.netbenefits.com) and use the enhanced Pension Benefit Estimator to model different retirement scenarios as they apply to you.

### **When am I eligible for early retirement?**

As a pension plan participant, you are eligible for early retirement once you are 65 years old and have at least 3 years of continuous service; are 55 years old with at least 10 years of continuous service; or at any age with 25 or more years of continuous service.

### **Who can I talk to if I have additional questions?**

You can call Fidelity at 1-866-771-5225. Their representatives are well informed of the change in lump sum calculations coming in 2013. You may also email your questions to [cpcrabenefits@cpchem.com](mailto:cpcrabenefits@cpchem.com). While you will not get a direct email response to your question, we will post the questions and answers on this document which will be updated and posted periodically.

### **If I leave on December 31, 2012 will I get the 2.7% GATT rate for my pension calculation?**

Yes, if your last day on the payroll is 12/31/2012, your entire pension lump sum will be calculated using the 4<sup>th</sup> quarter 2012 GATT rate of 2.7%.

### **Can you give examples of how you start gaining money on lump sum retirement after the change?**

A detailed example is featured in the video "CPChem Pension Lump Sum Protection – A Participant Example". This video can be found on the retirement page of [www.mycpchembenefits.com](http://www.mycpchembenefits.com).

### **How much difference does the PPA rate versus the current 2.70% treasury rate make to a lump sum?**

For the participant featured in the "Participant Example" video, the June 2012 GATT rate was 2.7% and the June 2012 PPA rates were 4.42% based on his pension cash flow profile. Therefore, the spread between the GATT rate and PPA rates for this participant was 1.72%. This spread equates to an approximately 17% difference in lump sum amounts, with the lump sum being lower using PPA rates. Keep in mind that as he continues to work, he accrues additional benefits that make up this 17% reduction over 4 to 16 months, after which his lump sum benefit is projected to resume growing.

### **What is the latest date to file for retirement to be effective in 2012?**

It is recommended that you file your "Formal Intent to Retire" form with your HR representative and begin your pension commencement process with Fidelity at least 30 days prior to retirement. To receive a January 1, 2013 pension commencement date, your last day on the CPChem payroll must be December 31, 2012 or earlier.