

Baird Retirement Management

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Management

This monthly newsletter aims to [track the interest rates that are used](#) in the BP Retirement Accumulation Plan (RAP) and give an estimate of how it might affect your retirement benefit.

July 2019 Interest Crediting Rate

The regular interest crediting rate for July is 5%/year.

October 2019 Lump Sum Benefit Summary

If you became a participant in the RAP after 2013 your benefit amount will be equal to your account balance. However, if you were a participant as of December 31, 2013, your benefit will be equal to your account balance, unless a greater benefit is calculated by projecting that same balance forward to age 65 and then determining its present value.

The projection to age 65 is prepared using a 5% interest crediting rate for an October 2019 Benefit Commencement Date (BCD).

The calculation of the present value of the age-65 benefit is prepared using the Applicable Interest Rate, which is a combination of three rates: 2.41%, 3.51%, and 4.16%. Of the three rates used for an August 2019 BCD, all three rates fell compared with the rates applicable to a September 2019 BCD, resulting in an increase of 2.57% in the lump sum benefit for a vested 60-year old BP employee [please check your benefit calculator for your actual calculation of the grandfathered portion of your pension].

How Does this Affect Me?

The BP RAP offers a substantial benefit to BP employees over many other companies' plans. It is one of the few remaining retirement pension plans that still offers a lump sum benefit. Since the Pension Protection Act of 2006, the calculation of the lump sum has become more complicated, now relying on corporate bond yield curves, known as segment rates, instead of the 30-year



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treasury rate that was used in the past. In a low interest rate environment, it is important for BP employees to understand how their lump sum is calculated and how quickly the benefit can change as interest rates fluctuate.

As interest rates decline, the lump sum increases, while if they increase, the lump sum decreases. If rates increase 1% across the board, it could lower your lump sum by almost 10% depending on your age and length of service.

Baird Retirement Management provides highly specialized retirement planning expertise for business professionals nearing retirement. Our perspectives are backed by our extensive experience, comprehensive industry knowledge and immersion in the latest retirement, income and tax planning strategies. By focusing on select companies and industries, we can tailor our retirement planning advice to help meet the specialized planning needs and considerations of employees within a company or industry.

"Perspective and expertise from specialists who understand retirement planning and, more importantly, the specific situations you're in."



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