



pension increase 2007 - BP Pension Fund

On 23 January, the Trustee of the BP Pension Fund held its first Board Meeting of the year where it considered the rates of increase for pensions in payment and deferred pensions. These increases will take effect from 1 May 2007.

Most members are entitled to receive an increase in line with the Retail Prices Index (RPI) (subject, if appropriate, to a 5% ceiling). For 2007, such pensions will be awarded an uplift of 4.4%, in line with the December 2006 RPI. For some members, different contractual terms apply.

The table at the end of this communication summarises the key increase that members from each scheme can expect. All members will be notified by letter of their individual awards by the end of May.

how does the Trustee make its decision?

From time to time, members ask how the Trustee Board makes its decision. Some further background information may be helpful.

The Trustee has a duty to review all pensions and deferred pensions annually in line with the provisions of the Trust Deed and relevant scheme rules. It must also have regard to relevant legislation and regulation. Under present procedures the Trustee starts its review at its last Board Meeting of the year and consults the Company in the process. The final decision is normally made at the next Board Meeting – the first Meeting of the following year.

Those members who are entitled to increases based on RPI also ask how appropriate this measure is. There are a number of other measures of price inflation. These are typically based on increases in the cost of different 'baskets' of goods and services; and the rates of increase differ for individual items. However, these differences tend to even out over time, so that in the

longer term, a particular measure like RPI can be expected to give a reasonable reflection of cost of living increases.

what about discretionary increases?

The Trustee must make its decisions strictly within the terms of the Trust Deed and the relevant scheme rules.

The Trust Deed includes a power to make discretionary increases. This is in order to provide some flexibility when circumstances are exceptional, such as price inflation being above the 5% ceiling. Any exercise of this discretion requires BP's consent, so that in practice it is the Company that has the final say.

The Trustee must consider all beneficiaries in a consistent manner and hence does not have the power to tailor awards to individual circumstances. A further consideration for the Trustee is to ensure that the Fund has sufficient resources to meet its current and future financial commitments.

As explained in Pensions Highlights, the real cost of BP's commitments has risen faster than inflation, owing to the impact of people living longer and the cost of complying with increasing regulation. So, the Trustee needs to maintain sufficient funding to protect and pay the benefits which members have already built up and to cope with unpredictable events.

Therefore, in all but exceptional years, members of the BP Pension Scheme should expect increases to follow RPI, subject to the 5% ceiling. Members of other schemes within the Fund should expect increases on the basis set out under the rules of those schemes.

R K Hinkley
Chief Executive Officer
BP Pension Trustees Limited

summary of 2007 increases

scheme	increase ¹
BP Pension Scheme and other sections of the Fund, excluding those listed below	Retail Prices Index (RPI) for the twelve months to December 2006; 4.4%
Charringtons Pension Plan	5%
Dominion Oils subsection Polygon Retailing Limited 1988 Retirement Fund	3% on benefits accrued before 6 April 1997 and the RPI increase at 4.4% thereafter
British Petroleum Company Pension and Death Benefit Schemes for Indian Staff British Petroleum Company Pension and Death Benefit Schemes for Pakistani Staff	Relevant Country Consumer Price Index (CPI) for 12 months to December 2006 ²

¹ Other than guaranteed minimum pension (GMP) payable from State Pension Age. No pension increase will be granted for retirements which take effect on or after 2 April 2007.

² December 2006 CPI not announced at date of writing.