

pension review 2011



BP Pension Trustees Limited
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As is usual for this time of year, I am writing to you on behalf of the Trustee of the BP Pension Fund to let you know about the pension review for 2011.

Under the Fund's governing legal documents, the majority of pensioners (with some exceptions) are entitled to receive an increase each year in line with the rise in the retail prices index (RPI) for the UK over the previous calendar year, with a maximum increase of 5%. For the 2011 review, the relevant inflationary increase is 4.8%.

The Trustee has the power to grant discretionary increases above the annual RPI, provided the Company agrees. Bearing in mind the level of inflation over the year and the Company's circumstances over the last 12 months, the Trustee decided not to make the case to the Company for a discretionary increase in 2011. However, the Trustee will continue to monitor the position on an annual basis and the Company does not rule out the possibility of discretionary increases in the future. The Company recognises that if inflation rises above 5% for any significant length of time, this could have an adverse impact on the purchasing power of the pensions payable to the Fund's members.

As you may be aware, the Government has announced that it intends to move from the RPI to the consumer prices index (CPI) for the statutory increases to pensions in payment and increases to State pensions. The Government is currently consulting on the impact that this will have on pension schemes and this consultation runs until 2 March. The consultation document suggests that there will be no overriding legislation forcing schemes to change from the RPI to the CPI as the basis for pension increases, and the Trustee sees no reason to initiate such a change.

However, this change in the Government's policy for State pensions will have an impact on the increases the Fund pays on any guaranteed minimum pension (GMP) that we pay to you. Because the GMP is paid from the Fund in lieu of your State Earnings Related Pension, this part will now be increased each year by reference to the rise in the CPI, rather than the rise in the RPI.

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Information about the change from the RPI to the CPI was provided in 'Pensions Highlights Extra' which was issued in December and I hope that that you found this informative. A copy is also available on PensionLine at <https://pensionline.bp.com>.

If you were a member of the Dominion Oils subsection of the Fund, the Charringtons Pension Plan or the Polygon Retailing Limited 1988 Retirement Fund, different rules for pension increases apply.

The 2011 increase will take effect from 1 May 2011. As usual, we will write to you in May with full details of the increase you will receive to your pension.

I look forward to writing to you later in the year with the next edition of 'Pensions Highlights'.

A handwritten signature in black ink, appearing to read 'Sally Bridgeland', with a large, stylized initial 'S'.

Sally Bridgeland
Chief Executive Officer
BP Pension Trustees Limited