

Lump Sum Interest Rates Changes – Lubrizol Pension Plan

Management and Participant FAQs

- **What is the lump sum payment option?**

The BHCPP Plan offers you a choice at retirement between a monthly annuity payment or a one-time lump sum equivalent value of your monthly annuity benefit. You should carefully weigh each payment option and make the decision that best suits your personal needs.

- **How is the lump sum calculated?**

The lump sum is the present value of your monthly benefit and does not depend on marital status.

The present value of the monthly benefit is captured through a lump sum factor, which is like a fingerprint that is unique to you. It depends on your age, your monthly benefit value, and interest rates and life expectancy tables as set by Federal law.

While the Plans' administrators do the detailed math, here is the simple equation used to determine the lump sum payment amount:

Annual Benefit

Amount*
(at age 65, or
immediate if
eligible)

X

**Lump Sum
Factor**

=

**Lump Sum
Payment**

** The annual benefit amount is the monthly benefit payment, multiplied by 12 payments per year.*

** Special rules may apply if the participant is older than Normal Retirement Age, age 65*

- **How does my early retirement eligibility impact the value of the monthly annuity or lump sum payable?**

Your benefit is generally reduced if you retire before Normal Retirement Age (age 65). Your monthly benefit is reduced when you retire at earlier ages because the Plan is paying your retirement benefit over a longer period of time. However, there are some key ages in the Lubrizol Plan where the value of your annuity or lump sum may jump in value for you.

- Before age 55, you bear the full cost of retiring early
- If you remain employed until age 55 and have 10 years of vesting service:
- Starting at age 55, Lubrizol pays a portion of your early retirement cost. In other words, the Plan provides a partial subsidy to keep the cost of retiring after age 55 lower for you. The result of this is that the value of your benefit will increase more from age 54 to 55 than it does from age 53 to 54, all else being equal.
- Another key age is 62. From age 62 to age 65, the Plan pays all the cost for your early retirement. If you retire at age 62, you will get the same monthly single life annuity as you would get at age 65. This is referred to as a full early retirement subsidy. The result of this is that the value of your benefit will increase more from age 61 to 62 than it does from age 62 to 63 all else being equal.

We recommend you use the modelling tool, eepoint, to model various retirement ages to see how growing into various early retirement eligibilities will impact your expected annuity and lump sum values.

- **What interest rates are used?**

The Plan requires the use of Federal interest rates which are measured annually in October and published for use by mid-November. These interest rates are used to discount your expected future annuity payments to the present value as of your lump sum payment date.

For example, 2022 calendar year lump sums use October interest rates published mid-November. 2022 rates are as follows:

- 0.87% is the annualized interest rate used to discount benefit payments occurring within 5 years
- 2.74% is the annualized interest rate used to discount payments occurring in the subsequent 15 years
- 3.16% is the annualized interest rate used to discount payments occurring more than 20 years in the future

The Federal interest rates can be found at: <https://www.irs.gov/retirement-plans/minimum-present-value-segment-rates>

- **How do interest rates impact the value of the monthly annuity or lump sum payable?**

Interest rates can affect benefit amounts payable to you.

- Monthly annuity payment: Interest rates generally do not impact the annuity value.
- Lump sum: Lower interest rates generally result in a higher lump sum value, and higher interest rates result in a lower lump sum value. The magnitude of the change in your lump sum value will depend on your age and the magnitude of the change in the Federal three segment interest rates.

- **How can I model my 2022 retirement benefits using the 2022 lump sum (e.g. last year's October 2021) rate?**

You can access the pension modeler available on eepoint. You may run up to three different scenarios at the same time, using different timeframes. These scenarios will reflect your pension benefit after the December 31, 2021 freeze date.

- Outside the Lubrizol network: www.eepoint.com/bhcpp
- Inside the Lubrizol network: <http://go.lubrizol.com/PensionSelfService>

- **How can I model post-2022 payments of my frozen benefit reflecting the current interest rate environment?**

In early September, the pension modeler will be updated monthly to reflect the latest Federal interest rates. The pension modeler will be updated again in early October, early November and finally in early December (with the final 2023 interest rates).

In early September, you can estimate the impact to 2023 lump sums from the current interest rate environment. To do so, access the pension modeler, eepoint. You may run up to three different scenarios at the same time, using different timeframes. These scenarios will reflect your pension benefit after the December 31, 2021 freeze date.

- Outside the Lubrizol network: www.eepoint.com/bhcpp
- Inside the Lubrizol network: <http://go.lubrizol.com/PensionSelfService>
- Below is a link to the rates used in the lump sum factors. They are updated each month.
 - [Minimum Present Value Segment Rates | Internal Revenue Service \(irs.gov\)](https://www.irs.gov/retirement-plans/minimum-present-value-segment-rates).

- **How can I model post-2022 payments of my frozen benefit reflecting the final 2023 lump sum rate?**

You can model the final impact to your 2023 lump sum in early December. Until early December, you cannot model the exact impact to your 2023 lump sum because:

- The Plan uses the lookback month of October of the prior calendar year to determine the applicable interest rate to be used to develop the lump sum factors for a Plan year (calendar year).
 - For example:
 - Lump sums paid in the 2022 calendar year use the October 2021 interest rates.
 - Lump sums paid in the 2023 calendar year use the October 2022 interest rates. (unknown until mid-November 2023)
- Below is a link to the rates used in the lump sum factors. They are updated each month.
 - [Minimum Present Value Segment Rates | Internal Revenue Service \(irs.gov\)](#).

- **When is the last date I can receive a lump sum based on the October 2021 rates?**

The latest benefit commencement date (BCD) in which a BHCPP lump sum calculation will use the 2021 October interest rates is December 1, 2022. For this to occur, an employee **must** do the following:

- The employee must have a **termination date (last day worked) prior to 12/1/2022**
- The **latest date to request a retirement kit** for a 12/1 BCD is **11/1/2022**.
 - In other words, the participant must contact the BHCPP Pension Service Center on or before 11/1/2022 and request a retirement kit -- using an expected termination date no later than 11/30 and a benefit commencement date no later than 12/1/2022.
 - We suggest contacting the Berkshire Hathaway Pension Service Center directly at 877-459-2403 for additional guidance.
 - Please keep in mind that requesting a retirement kit from the BHCPP does NOT commit an employee to actually retire.

- **I am concerned that the last day I can request a kit is 11/1 but the system won't be updated with the final 2023 rates until early December. How can I make a decision about retirement without full information?**

- The eepoint modeling tool will be updated to reflect the current interest rate environment in early September at which time you can compare a 12/1/2022 lump sum to a 1/1/2023 estimated lump sum based on July rates. Please note that the final interest rates for 2023 lump sums will not be available until early December and 2023 lump sums could be higher or lower than those based on July rates.
- If you want to retire on or before 11/30/2022, and thus will want a 12/1/2022 or earlier lump sum, please call the Berkshire Hathaway Pension Service Center at 877-459-2403 to request a retirement kit
- You cannot request a 12/1/2022 retirement kit after 11/1/2022, so we encourage participants to request a kit sooner rather than later. (Participants who request a kit in September and October will be fulfilled first)
- Once you get your kit, you can monitor the movement in Federal lump sum interest rates and use the pension modeler to see the impact of final interest rates on your 2023 lump sum.
- The pension modeler will be updated in early October, early November and then again in early December, at which time, the final 2023 lump sum interest rates will be in place.
- **REMEMBER:** You can always request a 12/1/2022 retirement kit and not complete it. Requesting a retirement kit does NOT commit an employee to actually retire.

- **Is there anything else that can help me make a decision to retire?**

- Your retirement benefit is just one piece of your overall retirement decision. You should carefully weigh your career options, other benefits Lubrizol provides you such as health coverage and AWDC and profit sharing contributions, your personal and family financial security, your personal connection to working at Lubrizol as well as other personal factors.

- Remember: your pension benefit is not your only source of retirement income. Personal savings, Social Security, your Lubrizol 401k plans, and other previous retirement benefits should be taken into account.
 - You can request a Social Security Statement from the Social Security Administration at www.ssa.gov
 - You can also model your total Lubrizol retirement package (pension plus 401k) using the Empower modeling tool. Your pension benefit has been prepopulated in the Empower modeling tool, along with your future AWDC and profit sharing contributions. The Empower modeling tool will provide an estimated monthly benefit, using a variety of factors you choose (e.g., retirement age, investment choices, contribution changes, etc.).
- Choosing when to retire and how to receive your BHCPP benefit is an important personal decision.
- You are strongly encouraged to consult with a personal financial planner and/or tax advisor.
- You may contact Empower's financial planning team. Lubrizol-sponsored trained certified financial planners (CFPs) who will help you fit all the pieces together to give you a better understanding of what retirement may look like for you.
 - Schedule time here: <https://lubrizolcfp.empowermytime.com/> , Or
 - Call at 1-833-301-9355
 - Note: Empower's financial planning team is the only Lubrizol-sponsored CFPs. If you are contacted by a different third-party, know that they are not endorsed by Lubrizol.

- **How can I make the most of working with my financial advisor?**

- Locate an accredited advisor who can provide you with unbiased advice
- Prepare a list of questions
- Identify your financial goals
- Gather details about your personal financial situation
- Educate yourself about basic investing
- Identify your monthly income, as well as how much you have saved and how much you typically spend