A Guide to Pension Formula Choice
Under The Shell Pension Plan
For Employees Hired Before January 1, 2013

Please note this Guide applies to you only if your most recent hire date was prior to January 1, 2013.
Pension Formula Choice .................................................................................................................. 3
An outline of the tools available to make your pension formula choice and guidance
on how to use them.

Your Future ..................................................................................................................................... 5
A brief look at how and why Shell is giving you more pension flexibility than you can get
at most major U.S. companies.

Basics ............................................................................................................................................... 7
Six important points to remember during the pension formula choice process.

Highlights .......................................................................................................................................... 8
A review of the highlights of the two pension formulas.

Differences ......................................................................................................................................... 10
These four key differences between the pension formulas will have the greatest influence
on your decision.

Considerations .................................................................................................................................... 12
The three main areas you need to consider when making your choice are highlighted.

Future Prospects .............................................................................................................................. 13
Your ideas about your own career goals and your assessment of the future of your business
will have a significant influence on your pension formula choice.

Financial Goals ............................................................................................................................... 14
When you hope to retire and how you want to spend your retirement will depend heavily
on your financial situation, and your pension formula choice may be influenced by those goals.

Comparisons ....................................................................................................................................... 15
How do the benefits from the two pension formulas compare?

Scenarios ............................................................................................................................................. 16
Review possible reasons why Shell employees in two pension-point ranges
(80 points and above, and below 80 points) might choose a particular pension formula.

For Yourself ......................................................................................................................................... 18
You can use this worksheet to help you make your pension formula choice.

Legacy Company Service .................................................................................................................. 19

Pension Formula Choice Questions & Answers .............................................................................. 21
More details about how the two pension formulas work.

This guide is intended to summarize only the highlights of the Shell Pension Plan. If there is any conflict between this
summary and the actual plan document, the plan document will control. For additional information on the Pension
Formulas, refer to the Dimensions Wealth Summary Plan Description which can be located on HR Online (under My
Benefits) or via NetBenefits®.
Pension Formula Choice

Your Shell* pension will be a valuable part of your **financial future**. Since you are the one shaping that future, you are in the best position to make the decision about which of Shell’s two pension formulas will fit your needs. The material included in this guide is designed to help you organize your thinking and **make your choice**. The Shell pension benefit is funded entirely by the companies that participate in the Shell Pension Plan. There is no cost to you for this benefit.**

**Pension Formula Choice Eligibility**

If you were hired before January 1, 2013, you have access to the Accumulated Percentage and the 80-Point Pension Formula. You made your initial election within 31 days of becoming an employee of a participating company, otherwise you were defaulted into the Accumulated Percentage Formula. Your future pension benefits are calculated under the same formula until you elect a different pension formula in subsequent years.

If you were hired or rehired on or after January 1, 2013, you are not eligible for pension formula choice; you are automatically enrolled in the Accumulated Percentage Formula and cannot elect the 80-Point Pension Formula.

**Pension Formula Choice Annual Enrollment**

There Information about the timing and the mechanics for making your pension formula choice will be provided in the fall of each year.

- If you want to keep your current formula for future benefits, you do not have to make an election.
- If you want to switch to a different formula for future benefits, follow the enrollment instructions you will receive to make that choice.

If you terminate employment with all participating companies after December 31, 2012, and are rehired, you are treated as a new employee and will be enrolled automatically in the Accumulated Percentage Formula.

---

* Throughout this brochure, Shell includes Shell Oil Company and its affiliated and subsidiary companies that participate in the Shell Pension Plan. In certain cases, Shell may also include affiliates that do not participate in the Plan.

** A pension is a form of deferred income. The usual pension paid from the Shell Pension Plan is a monthly annuity payable for life and, in some cases, a monthly annuity payable to a survivor. Some pension benefits may be payable as a single lump sum.
If You Came into the Shell Pension Plan from Another Company in an Acquisition or Merger

Employees of companies that have become participating companies in the Shell Pension Plan, including Pennzoil–Quaker State Company, alliance companies (including former Texaco and Star Enterprise employees and former employees of Texas New Mexico Pipeline), and CRII may be eligible for a Shell Pension Plan benefit.

Service with these companies may have an impact on your pension benefits with Shell and is referred to as “Legacy Company Service.” You can find more information about how your legacy service counts towards 80-Point eligibility or APF points in the Legacy Company Service section of this guide.

Pension Formula Choice Guide

If you are eligible for Pension Formula Choice, this guide will help you consider the Shell Pension Plan’s two pension formulas and prepare you to make the choice that best fits your situation. You can get the most benefit from this guide by following these steps:

• **Start with the Basic Information:** Everyone who makes a pension formula choice should review these sections of this guide (Your Future, Basics, Highlights, Differences, Considerations and Questions & Answers).

• **Read More if You Need It:** Learning the basics may give you enough information to make your choice. If not, review the pages covering pension formula choice considerations: Future Prospects, Financial Goals, and Comparisons. You can also access the Pension Modeling Software on your computer if modeling examples of the two formulas will help you (see “Shell Pension Choice Modeler” below).

• **Gather Additional Information:** Collect data until you have enough information to make the choice that best fits your situation. You can change pension formulas each year for future benefits if your situation changes.

• **Make Your Choice and Enroll:** Use the “For Yourself” worksheet provided in this guide to make sure you are comfortable with your choice. You should save this guide and refer to it when you want to review your pension choice.

• **Shell Pension Choice Modeler:** You will see a reference in the guide when your decision-making process can be enhanced by using the Shell Pension Choice Modeler, which can be found on HR Online (under My Benefits, United States Wealth, Shell Pension Plan, Pension choice), or at www.benefitmodeling.com/shellchoice.
Your Future

Not many people fully understand or appreciate the value of a pension until they are on the verge of retiring or leaving a company. At most other companies, there is little they can do to affect the benefit, so there is little incentive for young or even middle-aged employees to think much about their pensions. Shell has changed your role by offering a choice of pension formulas within the Shell Pension Plan.

You can choose between two pension formulas to provide your future benefits:

- **80-Point Pension Formula**: The “traditional” 80-Point Pension Formula bases your benefits on your age, average final compensation, your primary social security benefit and accredited service under this formula. You generally must attain a minimum age and years of service before you can receive payment under this formula.

- **Accumulated Percentage Formula**: With the Accumulated Percentage Formula you accumulate a percentage each year that is used to calculate your benefit amount. Your annual percentage is based on a schedule using the number of points (your age plus your Accumulated Percentage Formula Service) that you have at the end of the prior calendar year. When you terminate, your annual percentages are added together and the total is multiplied by your Average Final Compensation to calculate a single lump-sum amount or a monthly annuity. There is more flexibility as to when the pension can be paid, and the benefits under this formula can be combined more easily with benefits from other employers.

Both formulas offer a solid foundation for retirement when considered along with your Shell Provident Fund (SPF), Social Security, personal savings, and benefits you and/or your spouse may have from other employers. However, one of the formulas, or a combination of the two, is likely to be a better fit for you. Because your situation may change during your time at Shell, you are free to change your pension choice on an annual basis.
**Benefit Restoration Plan**

If you are eligible for benefits under the Benefit Restoration Plan (BRP), your pension formula for payments from the BRP will match the pension formula you select for the Shell Pension Plan. However, you may elect an immediate lump sum BRP payment under the 80-Point Pension Formula if you leave with 80 points and you make your election prior to termination from Shell. You will be notified if restoration benefits apply to you.

**Your Assessment of the Future Is Critical**

Before choosing or changing your pension formula, you should make assessments about the future and consider your financial goals. What you learn in this process will cast your pension in a new light, helping you see it as a financial benefit that provides value each year and at every age rather than as a vague vision of a pot of gold at the end of a distant retirement rainbow.

Shell is committed to giving you more control over your pension. The company also plans to help you take advantage of this new freedom in ways that will build your knowledge and appreciation of what your financial future may hold as a result of your retirement benefits.

All statements about the value of your pension benefits are based on assumptions involving life expectancies as projected based on past experience. Any pension benefit may be paid for a longer or shorter period than may be anticipated. The “value” of benefits under either pension formula may be lesser or greater, depending on your actual experience.
Before you learn the **specifics** of the Shell Pension Plan’s two pension formulas, it is important for you to consider six key points about the pension choice **process**:

1. **Both Pension Formulas Deliver Valuable Benefits:** No matter which formula or combination of formulas you choose, over time you can expect your pension to form a solid foundation for your retirement. The 80-Point Pension Formula usually delivers a greater comparative benefit to employees who are at least 50 and whose age and eligibility service add up to at least 80 points, but it also pays a benefit to those who leave without 80 points. The Accumulated Percentage Formula usually delivers a greater comparative benefit to those who leave Shell before reaching the 80-point level, but it also pays a substantial benefit to those who reach 80 points. Some employees may wish to spend a number of years in each formula, and the combination of the formulas will ALSO result in a solid retirement foundation. You must have a minimum of three (3) years of vested service to receive a benefit from the Shell Pension Plan, regardless of the formula you elect.

2. **There Is No “Right” Pension Formula Choice:** You already make investment choices for your Shell Provident Fund (SPF) money by assessing the potential risks and rewards and are appropriate for your individual situation. Your pension formula choice is similar, although other matters may also need to be considered. You will pick a pension formula you are comfortable with based on your assessment of your needs and what you believe lies ahead for you and for the company.

3. **Your Choice Is Confidential:** The pension formula you choose shouldn’t be seen as an indicator of your commitment to Shell. To eliminate that concern, your pension choice will be confidential.

4. **You Can Change Your Pension Formula Choice Every Year:** The factors affecting your pension formula choice are subject to change, so Shell allows you an option to change formulas every year as needed. Of course, future changes will only affect future benefits. If you elect to make a change, this election will affect the way in which your pension amount is calculated for the next calendar year. This election will not affect your pension amount earned in past years. Your final pension will be a sum total of what was earned from the two formulas. This is referred to as a “hybrid” approach.

5. **Your Choice to Change Formulas Affects ONLY Future Pension Benefits:** Any pension benefits you have earned based on Shell service before you make your change are not affected. A change only affects benefits you earn after your change goes into effect.

6. **Your Pension Is Just One Part of Your Retirement Income:** At retirement, you will have income available from your pension and a number of other possible sources. You may also have benefits from other employers if you don’t spend your full working life at Shell. Consider your retirement income sources and remember that your pension choice does not affect any other retirement income sources.
Highlights

Important features of your pension are highlighted here. More details can be found in the questions and answers at the end of this guide and in the *Dimensions Wealth Summary Plan Description*.

## Benefit Formula

### 80-Point Pension Formula

This formula calculates a monthly pension amount which is payable to you beginning at age 65. Your monthly amount grows based on increases in your 80-Point Pension Formula Service and your AFC. Generally, here is how this formula determines your benefit:

\[
1.6\% \times \text{Your Average Final Compensation} \\
\times \text{Accredited Service Under This Formula} \\
\text{Minus} \\
\text{Social Security Offset} \\
(\text{delayed until you reach your Social Security Normal Retirement Age})
\]

A regular pension is calculated to begin at age 65, but there are circumstances under which pension payments can begin as early as age 50 if your age and all Shell plus eligible legacy company service equal 80 when added together.

### Accumulated Percentage Formula

You accumulate a “percentage” each year that is used to calculate your benefit amount. Your annual percentage is based on a schedule using the number of points (your age plus your Accumulated Percentage Formula service) that you have at the end of the immediately preceding calendar year. When you terminate, your annual percentages are added together and the total is multiplied by your AFC to calculate a single lump-sum amount. **Service under the 80-Point Pension Formula isn’t used in calculating your points for this formula.**

This schedule is:

<table>
<thead>
<tr>
<th>APF Points</th>
<th>Percent of Average Final Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–29</td>
<td>3.0%</td>
</tr>
<tr>
<td>30–39</td>
<td>4.0%</td>
</tr>
<tr>
<td>40–49</td>
<td>6.0%</td>
</tr>
<tr>
<td>50–59</td>
<td>8.0%</td>
</tr>
<tr>
<td>60–69</td>
<td>10.0%</td>
</tr>
<tr>
<td>70–79</td>
<td>13.0%</td>
</tr>
<tr>
<td>80+</td>
<td>16.0%</td>
</tr>
</tbody>
</table>

You can take this amount as a lump sum or as a monthly payment when you leave Shell but not later than when you reach age 65.


How You Receive Your Benefits

80-Point Pension Formula

If Married: You get a monthly payment over your lifetime, and, after your death, your surviving spouse generally will receive monthly lifetime payments that are generally half the amount of your monthly lifetime payments. This spouse’s benefit is “free” to you if you retire after attaining 80 points, meaning that your payments will not be reduced to pay for your spouse’s 50% payments.

You can choose to leave payments greater than 50% of your benefit to a surviving spouse and/or you may choose an additional person to receive benefits after your death, but your benefit will be reduced to pay for these options.

If Single: You can give a “free” 50% survivor payment to a beneficiary who is the same age, older, or not more than five years younger than you. If the beneficiary you choose is more than five years younger than you, your lifetime payment will be reduced to pay for the additional age difference. You may increase the amount payable to your beneficiary and/or you may add an additional person to receive benefits after your death, but your benefit will be reduced to pay for these options.

Accumulated Percentage Formula

If Married: You decide if you want either the lump sum (based on the formula) or if you want to receive monthly payments for life. However, your spouse must consent to a lump sum.

If you elect monthly payments, you can also arrange for monthly lifetime payments to a surviving spouse. However, your monthly benefit will be reduced for the cost of this added benefit as this formula does not offer “free” 50% surviving spouse payments.

If you delay your decision and leave your account on deposit with the plan, it will grow at the 30-year Treasury security rate until you are ready to decide.

If Single: You have the same choices as a married employee: You can name a beneficiary to receive a 50% lifetime payment after your death, AND, your lifetime payment will be reduced to pay for any survivor benefit.
Differences

Focus on these four major differences between the formulas when considering which pension best fits your situation.

Your Benefits Accumulate Differently

80-Point Pension Formula
“Back-loaded” benefits:
The benefit you are entitled to grows slowly until your age and your accredited service add up to 80. At that point, the benefit you are eligible for increases dramatically. This is sometimes called a “cliff” benefit.

What This Means to You:
If you have reached or reasonably expect to reach the 80-point “cliff” before you leave the company, you can expect to receive a larger pension benefit from this formula.

Accumulated Percentage Formula
“Front-loaded” benefits:
Your benefits accumulate year-by-year, growing at a gradually increasing rate over the course of your accredited Shell service. There is no dramatic increase upon reaching the 80-point cliff.

What This Means to You:
If you leave the company for any reason before reaching the 80-point “cliff,” you can generally expect to receive a larger pension benefit from this formula.

You Can Receive Your Benefits Differently at Retirement

80-Point Pension Formula
Monthly lifetime payments.

What This Means to You:
The value of any benefit you earn under this formula will be calculated as an amount paid to you in equal monthly amounts after retirement. You cannot elect a lump sum payment from this formula. However, there are certain exceptions for payments made from the Benefit Restoration Plan. Generally, unless you are eligible for an immediate pension when you leave Shell, you may not begin pension payments until you reach age 65, unless your age and Shell plus eligible legacy company service equal 80 points before age 65.

Accumulated Percentage Formula
Monthly lifetime payments or one lump sum payment.

What This Means to You:
You will be eligible to receive all of the benefit you earn under this formula either as a lump sum payment (with your spouse’s consent) or as monthly lifetime payments to you after you leave the company and elect to receive the payments. You can receive benefits whenever you terminate employment or defer payment up to age 65.
Inflation May Affect Your Pension Benefits Differently

80-Point Pension Formula
While Shell is not required to adjust pension payments for inflation, the company has approved inflation adjustments from time-to-time for retirees who have retired with eligibility for an immediate pension under the 80-Point Pension Formula (and their surviving beneficiaries who are getting payments).

What This Means to You:
From time to time, Shell has adjusted pension annuity payments to partially offset the impact of inflation on retirees. Remember—the company has no obligation to make inflation adjustments and there is no guarantee that these adjustments will be made in the future.

Accumulated Percentage Formula
A monthly payment may be eligible for inflation adjustments; a lump sum is not eligible.

What This Means to You:
If you take benefits under this formula as monthly payments and you satisfy the traditional 80-point eligibility rules, you will be eligible for any future inflation adjustments. Lump sums are not eligible. Remember—the company has no obligation to make inflation adjustments and there is no guarantee that these adjustments will be made in the future.

You Make Different Adjustments to Provide Spouse Benefits

80-Point Pension Formula
A surviving spouse gets a “free” 50% lifetime payment if you retire with immediate eligibility for a pension. The beneficiary of a single employee also gets a “free” 50% lifetime payment if you retire with immediate pension eligibility and the beneficiary is not more than five years younger than you.

What This Means to You:
If you are married or single and take a benefit under this formula, there is a special feature that lets you provide a 50% monthly lifetime payment to your surviving spouse or certain beneficiaries without reducing your monthly pension payment.

Accumulated Percentage Formula
A surviving spouse gets a 50% lifetime payment that you pay for by reducing your monthly payments.

What This Means to You:
If you are married or single and take monthly payments under this formula, they will be subject to standard rules used by pension actuaries to make reductions to your payments to cover the cost of 50% monthly lifetime payments to your surviving spouse or beneficiary. If you are married you can choose not to buy this benefit for your spouse if your spouse agrees in writing to waive the benefit.
Considerations

Making your pension choice is not a straightforward task of calculating which formula delivers the biggest benefit. There are too many variables for such a simple equation to work. To make the best choice for yourself, you need to make assessments in three related areas and use that information to choose.

The Numbers Don’t Tell the Whole Story

You may be tempted to go straight to the formula comparisons to find out which one delivers the biggest retirement benefit. While this is very important, you can easily be misled if you only look at the numbers. The 80-Point Pension Formula will usually deliver greater benefits in a side-by-side comparison if you project obtaining 80 points at Shell. However, the Accumulated Percentage Formula may provide higher earlier payments for a shorter Shell service period projection. Further, the Accumulated Percentage Formula is payable as a lump sum or an annuity, while the 80-Point Pension Formula is only payable as an annuity. Be sure to consider your future prospects and your financial goals to determine a realistic expectation and a worthwhile goal for you.

• Your Future Prospects: The biggest difference between the two Shell pension formulas is the way they accumulate benefits over time. If your age and eligibility service adds up to 80 points the traditional 80-Point Pension Formula will generally pay a larger benefit. If you leave before reaching 80 points, the Accumulated Percentage Formula will often provide a greater benefit. You must make basic assessments about where you are, where you think the company is going in the future and where you hope to be at retirement. Your judgment about whether obtaining 80 points is likely or desirable for you will have a big impact on your choice.

• Your Financial Goals: Consider how your financial vision for your future might affect your pension choice. Does it matter to you whether you receive a monthly payment for your lifetime or a lump sum? When do you plan to retire? How do you plan to protect your retirement income from inflation? Have you considered your other assets such as the SPF, personal savings, and social security benefits? Your pension is a cornerstone for your retirement income, so you will want to make a choice that will give you the firmest financial foundation to build on.

• Pension Formula Comparison: Your assessment of your future prospects and financial goals may point to a clear choice for you. Even if your choice is obvious, take a look at the benefits paid by the two pension formulas. While you may not be confident about your chance of reaching 80 points or reaching age 65 before leaving, you could decide that the benefit difference is great enough to make the risk worthwhile. You may decide that the Accumulated Percentage Formula will meet your needs no matter how long you work for Shell. Or you may decide that switching between formulas over the years will work best for you.
Future Prospects

Do you expect to remain employed with a Shell company until you retire?

Some reasons for offering the Accumulated Percentage Formula are to accommodate the growing number of mid-career hires, to help mid-career employees leave Shell if that fits their plans, and to provide a better benefit for people who don’t want to work with just one company during their lifetime or who don’t think it’s likely that one business will continue in its present form long enough to offer them long-term employment.

You can’t predict the future, but you can ask yourself questions that may guide you to a pension formula choice with which you can be comfortable in the future.

What Do YOU Want? Some people still start with a company with the goal of staying for life, but there are many other employment paths. Consider whether you expect to stay at Shell long enough to get 80 points.

Where Can You Get More Information?

Here are examples of information sources that may help you make your assessment:

- **Shell in the United States - Annual Review:** Includes data about recent business trends, successes, challenges and financial highlights.

- **Shell Communication:** Company publications and the intranet provide a constant data flow about the current state and future prospects of Shell’s businesses.

- **Industry Publications:** Magazines cover mergers, acquisitions, sales and other business trends. Many also have on-line versions.
Financial Goals

When you picture retirement, are you relaxing in a porch rocker? Golfing your way across the country? Starting your own small business? Since your Shell pension will contribute some of the money you’ll need to make your picture a reality, you should make your choice with those goals in mind.

You may not be close enough to retirement to have a specific vision of your goals. Even young people have some thoughts about the future. Ask yourself these questions to see if you uncover any information that will influence your pension choice.

Do You Want to Retire Early? Your likelihood of reaching 80 points depends on your age and service at retirement, so your retirement plans could affect your choice. If you won’t have 80 points before you retire, the Accumulated Percentage Formula may be your best option. Consider how any goal of early retirement may affect your choice.

Will You Need a Lump Sum When You Leave the Company? Maybe you hope to start a business after you retire that will require a large amount of cash. The Accumulated Percentage Formula offers a lump sum payout option that could influence your decision. Assess whether the fact that a lump sum payout under the Accumulated Percentage Formula has any impact on your choice.

Are You Planning on a High-Maintenance Retirement Lifestyle? Shell’s combined pension and savings benefits will help prepare you for retirement. However, your idea of retirement may cost more than the average person’s. Consider whether you are likely to have unusual financial needs in retirement and factor those into your pension decision.

Where Can You Get More Information?

Here are examples of information sources that may help you make your assessment:

• Other Benefits: You will have retirement income from a number of Shell benefits as well as from other employer’s plans, Social Security and personal savings. Review your total retirement potential to decide how your pension fits.

• Financial Experts: If you have someone who helps you with your taxes or estate planning, you may want to discuss your pension choice with that person.

• Retirees: Retired friends or relatives will be able to speak from experience about the challenges of developing a financial plan to support their retirement. Their insights may be valuable.

• Friends & Colleagues: You may know or work with others who have similar circumstances. Discussing goals with them may help you clarify your own ideas.
Comparisons

How different are the pension formula benefit levels? How much can you expect from the 80-Point Pension Formula if you leave before reaching 80 points? How much can you expect to miss out on if you choose the Accumulated Percentage Formula and then you do reach 80 points?

How much do you lose or gain by switching back and forth? There are too many unknown variables to determine exactly how much money the two formulas will deliver to you, but examples can be a guide.

The Shell Pension Choice Modeler lets you plug in different information to see how the formulas affect someone like you. You can use the Shell Pension Choice Modeler to model what happens if you change back and forth between the formulas multiple times during your employment at Shell. The software will let you model examples, but it does not provide an estimate of your pension benefits. When the two formulas are compared to each other, the 80-Point Pension Formula will be shown as a Lump Sum Equivalent (or the lump sum value of the benefit relative to the Accumulated Percentage Formula). It is a relative value comparison of the effect of your choice this year and in future years. The Shell Pension Choice Modeler can be found on HR Online (under My Benefits, United States Wealth, Pension, Pension choice), on the Benefits — The Americas home page on the Shell Intranet (http://sww.shell.com/hrservices/employees/benefits_americas/), or at www.benefitmodeling.com/shellchoice.

The Shell Pension Choice Modeler provides results based only on the benefit you will earn in the future. Any benefits you earned previously are not affected by your future choices and are not reflected in these examples. The graphs are relative value comparisons of the future benefits you will earn based on your choice this year and in future years. Note that results depend on the date and assumptions you use. In particular, the interest rate assumption used will have a significant impact on the relative value comparison. We encourage you to experiment with the Shell Pension Choice Modeler to see how using different assumptions change the pension formula comparison.

Where Do the Lines Cross? In an example using an interest rate of 6%, the Accumulated Percentage Formula line is higher than the 80-Point Pension Formula line until an employee reaches 80 points. After that, the 80-Point Pension Formula normally pays a larger benefit. Consider the age and service combination that you must reach in order to maximize the value of the 80-Point Pension Formula, and review the benefit differences before and after that point through retirement.

Do You Have a Technical Question? You can get more information by calling the Shell Benefits Service Center at 1-800-30 SHELL (1-800-307-4355) and speaking with a service representative. Please note that service representatives cannot offer advice on which pension formula you should choose.
Scenarios

Here are some of the reasons why Shell employees with certain point totals (based on the sum of their age and accredited service) might make a particular pension formula choice.

Consider whether any of these look like your situation.

<table>
<thead>
<tr>
<th>Your Age (at Least 50) and Service Add Up to 80 Points or More</th>
</tr>
</thead>
</table>

**Reasons for Choosing the 80-Point Pension Formula**

_You’ve already reached the “cliff”:_ Once you have reached 80 points, you’ve collected the “back loading” feature of this formula and you want all of your pension benefits paid under the same formula.

**Reasons for Choosing the Accumulated Percentage Formula**

_You want a partial pension lump sum:_ Once you reach the “cliff,” you’ve collected on the “back loading” feature of this formula. You see that you can switch to the Accumulated Percentage Formula now to accumulate a lump-sum pension benefit for your remaining years, although your total benefit may be less when compared to the 80-Point Pension Formula benefit.
Your Age and Service Add Up to Less Than 80 Points

Reasons for Choosing the 80-Point Pension Formula

You decide that the higher potential benefit at retirement is worth the risk of not reaching 80 points: After analyzing all your benefits, you decide that the 80-point retirement benefit is very attractive and that the combined retirement benefits you will have if you leave before reaching 80 points are still very significant. To you, the risk of not obtaining the larger 80-Point Pension Formula payment is not significant.

In addition, based on your skills and the nature of your business unit, you believe you have the opportunity for a career with Shell as your single employer.

Reasons for Choosing the Accumulated Percentage Formula

You would rather have a larger benefit paid earlier if you leave before the traditional retirement age, even at the risk of missing the even larger benefit if you obtain 80 points: After considering future prospects, you decide that you like the lump sum aspect of the Accumulated Percentage Formula. If you stay at Shell for your working life, you feel that you will have sufficient retirement benefits.

In addition, while you could stay at Shell long enough to reach 80 points, you don’t want to choose a formula that limits your flexibility. You foresee working for a number of employers during your life or you prefer the front-loaded protection in case you leave Shell.

OR

You came to Shell after working a number of years for other employers: Because you joined Shell later in your working life, you see that you will not be able to reach 80 points without working past the age you’ve targeted for retirement.

About These Scenarios

The scenarios in this guide highlight some of the reasons why certain Shell employees might make their initial pension formula choice. Your choice should be based on your own unique goals and circumstances. Remember that you can change your pension formula annually as important factors change. Any changes, however, are not retroactive. Once you make a pension formula choice, you cannot change it until the next pension choice election period. Future changes only extend to future pension benefits.
For Yourself

When you first considered choosing your own pension formula, you may have been concerned that you lacked the knowledge to make the “right” choice. Since there is no “right” choice and both formulas provide substantial benefits, your anxiety should be reduced. But you still have to make a choice. You can use this page to make note of some of the information that may help you make your decision.

Add Up Your Retirement Points

Your age:   _________
Your years of accredited Shell service: + _________
Your years of eligible legacy company service (Pennzoil–Quaker State, alliance companies, Texaco, Star Enterprise, Texas New Mexico Pipeline or CRII) + _________
Add them together to get your current pension points: = _________
In what year will you reach 80 points if you stay with Shell (note: you receive 2 points for each future year):  _________

Assess Your Retirement Age

List your targeted retirement age (if any):   _________
If you work at Shell until that age, how many points will you have:   _________

Assess Your Retirement Age

List your targeted retirement age (if any):   _________
If you work at Shell until that age, how many points will you have:   _________

Assess Your Retirement Age

List your targeted retirement age (if any):   _________
If you work at Shell until that age, how many points will you have:   _________

Assess Your Retirement Age

List your targeted retirement age (if any):   _________
If you work at Shell until that age, how many points will you have:   _________

What Is Your Pension Choice

(Circle One):

80-Point Accumulated Pension Formula Percentage Formula

To test your decision, assume that you want to explain the #1 reason for your choice to your spouse or a friend. Write down your reason.

_____________________________________
_____________________________________
_____________________________________
_____________________________________

If you can’t think of a reason, or if it doesn’t sound compelling when you see it on paper, consider thinking through your choice again until you are satisfied.

High       Low
Legacy Company Service

If you participate in the Shell Pension Plan and had service with a **legacy company** (alliance companies, Star Enterprise, Texaco, Texas New Mexico Pipeline, Pennzoil–Quaker State or CRII), your eligible service with a legacy company will have a bearing on your **Shell Pension benefit**. This section briefly describes how certain legacy company service is treated under the Shell Pension Plan.

Please note that the Shell Pension Choice Modeler asks you to enter this service as part of the data it uses to help you compare your choices.

**Pennzoil–Quaker State Employees**

Employees who participated in Pennzoil–Quaker State Company Employees Retirement Plan as of December 31, 2003, and who began participating in the Shell Pension Plan on January 1, 2004, started accruing Shell pension service on that date. For purposes of the Shell Pension Plan, Pennzoil–Quaker State service counts for vesting, 80-Point eligibility service and APF service. Like other Shell employees, these employees will now have an opportunity to make an annual pension formula election and choose either the 80-Point Pension Formula or the APF for future pension benefit accruals.

**Past service benefits:** Benefits these employees earned before January 1, 2004, were transitioned to PQS APF credits and are payable like other APF benefits. These benefits will not be any less than the benefits that would have been payable under the Pennzoil–Quaker State Company Employees Retirement Plan at the time of transition.

**CRII Employees**

Former CRII employees began participating in the Shell Pension Plan on January 1, 2003, the date that the CRII Pension Plan was merged into the Shell Pension Plan. For purposes of the Shell Pension Plan, service with CRII counts for vesting service and 80-Point eligibility service. CRII service does not count for APF service.

**Past service benefits:** Employees who had earned a benefit under the CRII pension plan will have a benefit calculated under the 80-Point Formula using their CRII pension service through December 31, 2002. They will not receive less than their CRII benefit as of December 31, 2002.

**Alliance Employees**

Former alliance employees began participating in the Shell Pension Plan on January 1, 2003, and receive vesting service and 80-Point eligibility service for time in an alliance company.
• If they were Shell employees before they joined an alliance company, they will receive vesting service, 80-Point eligibility service and APF service for their alliance time as well as receiving vesting service and 80-Point eligibility service based on their former Shell time. They will also receive APF service for their prior APF elections.

• If they were Texaco/Star Enterprise employees before they joined an alliance company, they will receive vesting service and 80-Point eligibility service for their alliance time and their Texaco/Star Enterprise time. They have an additional benefit in the Shell Pension Plan: an APF-type accrual based on their Texaco/Star Enterprise and alliance service. This benefit accrual stops on the earliest of: termination of employment, July 1, 2012, or the date they take a distribution from the Texaco/Star Enterprise pension plan.

• If they were Texas New Mexico Pipeline employees before they joined an alliance company, they will receive vesting service and 80-Point eligibility service for their Texas New Mexico Pipeline time. They have an additional benefit in the Shell Pension Plan: an APF-type accrual based on their Texas New Mexico Pipeline and alliance service. This benefit accrual stops on the earlier of termination of employment or November 1, 2012.
Q: What is the Shell pension “cliff” and how does it work?
A: The “cliff” is a word used to graphically explain the rapid growth that occurs in value of the 80-Point Pension Formula after reaching 80 points. Because benefits under this formula grow slowly until your age (minimum age of 50) and your accredited service added together reach 80, a graph of the value shows your benefit climbing a steep “cliff” at the point when you first reach 80 points.

<table>
<thead>
<tr>
<th>If You Join Shell at This Age:</th>
<th>You Need This Much Service:</th>
<th>To Have 80 Points at:</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 years old</td>
<td>30 years</td>
<td>Age 50</td>
</tr>
<tr>
<td>30 years old</td>
<td>25 years</td>
<td>Age 55</td>
</tr>
<tr>
<td>40 years old</td>
<td>20 years</td>
<td>Age 60</td>
</tr>
</tbody>
</table>

Q: Why does the 80-Point Pension Formula have a “cliff”? 
A: The 80-Point Pension Formula was originally designed as a tool to help retain employees and reward long-service employees.

Q: Why doesn’t the Accumulated Percentage Formula have a “cliff”? 
A: Changes in society and business have reduced the number of people who work for the same company for 30 or 40 years. The Accumulated Percentage Formula was designed to attract and reward employees who do not necessarily stay with a single employer, who join Shell later in their working life or those who want greater protection early in their careers in case of loss of employment at Shell. The Accumulated Percentage Formula rewards people equitably for the service they do provide.

Q: Both pension formulas base their benefits on “Average Final Compensation” (AFC). What does that mean?
A: Your AFC is calculated by looking generally at your last 120 months of service and averaging your monthly earnings (including paid Incentive Compensation Plan payments) for the 36 consecutive months that give you the highest average compensation. Your AFC will be the same under both pension formulas.
Q: What does “vested” mean, and when do you become vested under the two pension formulas?

A: “Vested” means that you have enough Shell service to earn a pension benefit that cannot be lost during your lifetime. If you leave the Company before you have enough service to become vested, generally you will not receive a pension from Shell at any time in the future.

In the Shell Pension Plan, you must have three years of “vested service” to become vested for either of the Shell pension formulas. You can earn a full year of vested service with only part-time service credited to you.

Your eligible legacy company service counts toward your vesting service in the Shell Pension Plan, including Pennzoil–Quaker State, alliance companies, Texaco, Star Enterprise, Texas New Mexico Pipeline and CRI.

Q: How do the two pension formulas handle early retirement?

A: The 80-Point Pension Formula allows you to take a pension as lifetime monthly payments as early as age 50 if you have 80 points. Early pension benefit payments are reduced, however, to take into account the longer period they will be paid. The reduction starts at age 50 and decreases until age 60. No reductions are made if you retire with at least 80 points after age 60. The reduction schedule for an employee with 80 points works like this:

<table>
<thead>
<tr>
<th>If You Start Your 80-Point Pension at This Age…</th>
<th>You Will Receive This % of a Full Pension…</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>50%</td>
</tr>
<tr>
<td>51</td>
<td>55%</td>
</tr>
<tr>
<td>52</td>
<td>60%</td>
</tr>
<tr>
<td>53</td>
<td>65%</td>
</tr>
<tr>
<td>54</td>
<td>70%</td>
</tr>
<tr>
<td>55</td>
<td>75%</td>
</tr>
<tr>
<td>56</td>
<td>80%</td>
</tr>
<tr>
<td>57</td>
<td>85%</td>
</tr>
<tr>
<td>58</td>
<td>90%</td>
</tr>
<tr>
<td>59</td>
<td>95%</td>
</tr>
<tr>
<td>60 or older</td>
<td>100%</td>
</tr>
</tbody>
</table>

As you can see, Shell does not reduce 80-Point Pension Formula monthly payments for early retirees after age 60, as long as they have at least 80 points. If you leave with less than 80 points, there will be reductions up to age 65. (See the Dimensions Wealth Summary Plan Description for more details.)

The Accumulated Percentage Formula allows you to take an early pension as a lump sum or as lifetime monthly payments. If you elect to receive lifetime monthly payments, a pension actuary calculates your lifetime monthly benefit based on your age at benefit commencement rather than using the table above.
Q: Can I choose to have the Accumulated Percentage Formula apply to my past Shell service?
A: No. Your Shell service before January 1, 1998, earned you rights toward a pension benefit under the 80-Point Formula, so any vested benefits you are entitled to as a result of that service has already been accounted for. Those previously earned benefits are not affected by future service. Pension Formula Choice looks forward and gives you the option of applying the Accumulated Percentage Formula to your future service if you choose.

Q: What is the earliest that I can receive a pension benefit under the Accumulated Percentage Formula?
A: You can receive a lump sum benefit or begin receiving lifetime monthly payments upon termination if you are vested. No matter which formula you choose, however, you will be eligible for certain other benefits such as retiree health benefits and retiree life insurance based on the rules for qualifying for an immediate pension under the 80-Point eligibility requirements.

Q: Why can’t I get a lump sum payment from the 80-Point Pension Formula?
A: The 80-Point Pension Formula was originally designed to deliver lifetime monthly retirement benefits as part of a balanced overall retirement program. Your Shell Provident Fund (SPF) account is designed to deliver cash payments. Instead of changing the 80-Point Pension Formula design and adjusting benefit levels to account for the change and its potential cost, the Company added the lump sum option to the Accumulated Percentage Formula to give you a way to receive additional retirement benefits in a lump sum, if you choose.

Q: Does the Social Security offset, which is part of the 80-Point Pension Formula, apply to the Accumulated Percentage Formula?
A: No. The 80-Point Pension Formula’s Social Security offset is an integral part of the 80-Point Pension Formula and is a common feature of similar plans at other companies. Such offsets are not always used at companies where the pensions are similar to the Accumulated Percentage Formula.
Q: How are other features and benefits affected by the Accumulated Percentage Formula?

A: Choosing the Accumulated Percentage Formula affects your other retirement features and benefits in the following ways:

- **Retiree Health:** The pension formula you choose has no impact. Your eligibility for benefits will be based on the rules for qualifying for immediate benefits under the 80-Point eligibility requirements.

- **Retiree Life:** The pension formula you choose has no impact. Your eligibility for benefits will be based on the rules for qualifying for immediate benefits under the 80-Point eligibility requirements.

- **Inflation Related Payments:** The pension formula you choose has no impact. Your eligibility will be based on the rules for qualifying for immediate benefits under the 80-Point eligibility requirements. However, you must elect to receive monthly lifetime benefits. No inflation-related payment adjustments will be made if you receive a lump sum under the Accumulated Percentage Formula.

- **Disability Pension:** The pension formula you choose has no impact. This benefit will continue as the minimum alternative to whichever formula you choose. That means you will receive your regular benefit OR the disability pension, whichever is greater. You will not receive both benefits.

- **Pre-Retirement Death Benefits:** In general, the pension formula you choose has very little impact. This benefit will continue as the minimum alternative to whichever formula you choose. Refer to the relevant section of *Dimensions Wealth Summary Plan Description* for a more detailed explanation of pre-retirement death benefits.
This information was prepared exclusively by Shell Oil Company.