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Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation

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Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation (as amended and restated effective as of January 1, 2007)
 Summary Plan Description
 Employer Identification No. 59-2147112
 Plan No. 004

The Employees' Retirement Plan of Florida Progress Corporation ("prior Plan") was established in 1944. It was amended over the years and on January 1, 1998 was split into two plans. The continuation of the prior Plan was renamed the Retirement Plan for Exempt and Nonexempt Employees of Florida Progress Corporation. The new plan covered participants subject to a collective bargaining agreement and is named the Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation ("Retirement Plan" or "Plan").

The Plan is a qualified defined benefit plan sponsored by Florida Progress Corporation. For employees hired before January 1, 2003, Retirement Plan benefits are provided through a Final Average Pay formula. For employees hired on or after January 1, 2003, Retirement Plan benefits are provided through a cash balance pension formula.

In this summary plan description (SPD), "Company" means Florida Progress Corporation or any affiliated company authorized by the Board of Directors of Florida Progress Corporation to participate in the Retirement Plan. Currently, Progress Energy Florida, Inc. (Bargaining Unit employees) is the only affiliated company authorized to participate in the Plan.

This SPD is intended to provide highlights and answer questions about the Retirement Plan. The official Plan document and the trust agreement govern all terms, conditions and actual operations of the Plan. Employees may request copies of the Plan document and the trust agreement by contacting the Employee Service Center at 1-800-546-5705 or VoiceNet 770-5705. The Plan document in effect when you retire or terminate employment will govern your benefits under the Plan unless Plan Administrator notifies you otherwise.

Florida Progress Corporation pays the entire cost of providing Plan benefits. The actual amount the Company may contribute is based on annual calculations by an independent actuary. This amount is then deposited in a trust fund, separate from corporate assets. The assets of the trust fund are used to pay Plan benefits and certain Plan expenses.

Although it is the intention of Florida Progress Corporation that the Plan continue in operation, the Company has the right to amend, discontinue its contributions, or terminate the Plan at anytime, subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

Reference Form
 FRM-PGNF-00985 *Beneficiary Designation Form*

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Participation

Active employees as of December 31, 1997 who were covered by a collective bargaining agreement became participants of this Plan on January 1, 1998. Employees hired on or after January 1, 1998 who are covered by a collective bargaining agreement become Plan participants on the first day of the month after their date of hire. Leased employees and independent contractors are not eligible to participate in the Plan.

Special provisions apply to participants who retired under the Voluntary Enhanced Retirement Program (VERP) between June 1, 2005 and December 1, 2005. The Employee Service Center has prepared a description of the formulas used to calculate pension benefits for participants in the VERP. This document is called “Special Provisions for Participants in the Voluntary Enhanced Retirement Program” and is available from the Employee Service Center on request.

The Plan provides benefits through two different formulas, depending on when you were hired:

- If you were first hired before January 1, 2003, pension benefits are provided through a Final Average Pay formula, which is described beginning on [page 5](#).
- If you were first hired on or after January 1, 2003, pension benefits are provided through a cash balance formula, which is described beginning on [page 20](#).

Final Average Pay Formula – Hired Before January 1, 2003

If you were hired before January 1, 2003 (or if you were previously an employee of Florida Progress Corporation or Progress Energy before January 1, 2003 and you are later rehired into a bargaining unit position covered by this Plan), your benefits are calculated under the Final Average Pay pension formula. (See [page 20](#) if you were first hired on or after January 1, 2003.)

How the Final Average Pay Formula Works

When you are eligible for a pension, your monthly benefit is calculated using the following formula:

- 1-4/5% (or 1.80%) of your “High-4” pay times your years and months of Credited Service, but not more than 35 years (maximum 63%), **minus**
- 1-1/7% (or 1.14286%) of your age 65 Social Security benefit times your years and months of Credited Service, but not more than 35 years (maximum 40%), **equals**
- Your earned benefit payable beginning at Normal Retirement.

Vesting

When you are vested, you have a non-forfeitable right to your pension benefit. If you terminate employment after you are vested, you will be entitled to a pension benefit.

Generally, you become vested under the Plan on the earlier of:

- The date you complete five years of Continuous Service (see next section), or
- The date you reach your Normal Retirement Age (generally the later of age 65, or the fifth anniversary of the date you first became a participant in the Plan, provided you are employed within the controlled group of Progress Energy companies on that date).

What You Need to Know About Service

In figuring when you can retire and how much your benefit will be, your Company employment counts two ways: first, as **Continuous Service**, and second, as **Credited Service**.

Continuous Service

Continuous Service determines when you become entitled to (vested in) a benefit and when you can collect the benefit. For years after 1975, you earn a full year of Continuous Service when you work (or are paid for) 1,000 hours in a calendar year (January–December). Otherwise, you earn no Continuous Service for that year. Continuous Service also determines when you may participate in the Plan after an absence. (See *Breaks in Service*, [page 6](#).)

After five years of Continuous Service, you are entitled to 100% of any Plan benefit you have earned. You must have five or more years of Continuous Service to receive any benefit from the Plan.

Credited Service

Credited Service is used to determine how much your benefit will be.

Generally, for years after 1975, if you are a regular full-time employee of a Company authorized to participate in the Plan and you earn a year of Continuous Service, you also earn Credited Service. During your first and last years of employment you get credit for each month of work so that you earn a year of Credited Service if your months of service in both years combined equal 12. If you work more than 12 months in the first and last year combined, you get Credited Service for the additional months. (See [below](#) for how an approved leave of absence affects your Credited Service.)

Former Sebring Utilities Employees

Certain individuals who were employed by the Sebring Utilities Commission and accepted employment with Florida Power Corporation on April 1, 1993, will receive Continuous **and** Credited Service under this Plan for their employment with the Sebring Utilities Commission. However, the benefit calculated under this Plan will be reduced by the amount of their vested benefit under the Sebring Utilities Commission Pension Plan. For more information, contact the Employee Service Center at 1-800-546-5705 or VoiceNet 770-5705.

Service With a Non-Participating Company

If you have worked for one of the companies considered part of the "controlled group" of Florida Progress Corporation but not authorized to adopt the Plan, some or all of your employment may count as Continuous Service (but not Credited Service). If you want more information regarding your benefit eligibility when you have been employed by a non-participating company, contact the Employee Service Center at 1-800-546-5705 or VoiceNet 770-5705.

Breaks in Service

You incur a break in service when you work or are paid for 500 hours or less in a calendar year (except in your first or last year of employment).

It is possible that you will return to the Company after a break in service. If so, you will lose credit for all previous Continuous Service and Credited Service unless:

- You had at least 10 years of Continuous Service when you left **after 1975 but prior to 1989,**
- You had at least 5 years of Continuous Service when you left in **1989 or thereafter, and**
- Your break period was shorter than the greater of a) 5 years or b) your Continuous Service period (but not including service you may have lost for a break period prior to January 1, 1985).

For example: If you had 4 years of Continuous Service when you left after 1985 but you were only gone for 3 years, you would not forfeit your Continuous Service.

If you meet one of the above requirements, your previous Continuous and Credited Service will be restored. You do not receive any Continuous or Credited Service for the period of time you were not employed.

Approved Absences

A leave of absence may affect the determination of your Continuous Service and/or Credited Service. The types of approved leaves are as follows:

- Service in the Uniformed Services with a return to the Company within 90 days of discharge or such later date as your reemployment rights permit
- Maternity leave
- A Company-approved educational leave of absence
- A Company-approved paid leave of absence
- A Company-approved non-paid leave of absence
- An approved leave under the Family and Medical Leave Act

You receive Continuous Service credit for the duration of your leave in the instances above, provided you return to work for the Company at or before the expiration of the authorized leave period. Also, for the first four items, you get Credited Service provided you return to work at or before the expiration of the authorized leave period. For items 5 and 6, you do not receive Credited Service for the period of leave.

Definitions

“High-4” Pay means the **greater of:** 1) the average of the highest consecutive 48 months (4 years) of base pay out of the last 120 months (10 years) of employment or, 2) the average of the highest four calendar years of base pay throughout your entire career with the Company.

Final Average Pay Formula – Hired Before January 1, 2003

"Pay" means base pay rate while a participant in this Plan, including base pay increases given as a lump sum, **but not including** overtime, double time, shift differential, bonuses, Employee Cash Incentive Plan awards, MICP awards, LTIP awards, commissions or any other types of pay. "Pay" in excess of IRS limits (\$245,000 in 2009) is not considered under the Plan formula.

Social Security Benefit. Your Social Security benefit is a result of the taxes both you and the Company pay over the years. Because the Company pays for a part of your Social Security benefit, the Plan reduces your benefit by a portion of your age 65 Social Security benefit (whether you actually receive a Social Security benefit or not).

When you retire or terminate employment, we estimate your age 65 Social Security benefit based on the law in effect at that time. We take into account your actual salary while you are with the Company and estimate what your salary was for the years before you came to work for the Company. You may provide the Company with your actual salary history (available from the Social Security Administration) within one year after your retirement date or the date you are notified of your Plan income amount, whichever is later. Your Retirement Plan benefit will be recalculated using this information. Your benefit will be adjusted only if the recalculation results in a greater amount payable to you.

The amount of your Plan benefit does not affect any Social Security benefits payable to you and your spouse or dependents. Any increases in your Social Security benefit after retirement will not affect your Plan benefit.

Minimum Benefit

If you were a member of the prior Plan on December 31, 1983, you are guaranteed that any benefit payable to you will not be lower than the benefit amount calculated according to the formula in effect on that date.

When Benefits Are Payable

The following describes the types of benefits in the Retirement Plan and briefly states when the benefits begin. (Note: All benefits from the Plan are paid on the first of the month.)

Normal Retirement: Later of age 65 or the 5 th anniversary of Plan participation.	Normal Retirement is the first day of the month after you meet the requirements. Your benefit is determined as of your retirement date and is payable immediately.
If you work beyond Normal Retirement	You may retire the first day of any month. Your benefit is determined as of your retirement date and is payable immediately.
Early Retirement: At least age 55 with at least 15 years of Continuous Service	Early Retirement is the first day of the month after you meet the requirements. Your benefit is determined as of your retirement date and may be reduced for payment before age 65. Your benefit may begin immediately or you may postpone payments.
Total and Permanent Disability while actively employed: Any age and at least 1 year of Continuous Service	If you meet the requirements for disability, your benefit is determined as of your Disability Retirement Date (see <i>If You Become Disabled</i> , page 11). Your benefit is payable beginning on your Disability Retirement Date. The duration of payments depends on your length of service with the Company before you became disabled.
Death while actively employed: For married participants only	If you have more than 5 but less than 10 years of Continuous Service at death, your spouse may receive a pension beginning on what would have been your Normal Retirement Date. If you have 10 or more years of Continuous Service at death, your spouse may receive a benefit beginning the month following death.
Death after retirement: While collecting a benefit	If you selected a form of payment (see <i>Death Benefits</i> , page 16) that will continue some or all of your pension to a beneficiary upon your death, benefits will be paid beginning the month after your death.

Final Average Pay Formula – Hired Before January 1, 2003

<p>Deferred Vested Retirement: Termination of employment with at least 5 years of Continuous Service</p>	<p>Your benefit is determined as of your date of termination with payments beginning the first day of the month after you reach age 65. Reduced benefits may be available as early as age 55 (if you had at least 15 years of Continuous Service at termination).</p>
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Please note: Federal law generally requires that you begin receiving payments no later than the April 1 following the calendar year in which you reach age 70 ½ or retire, if later. Certain “highly compensated employees” must begin receiving payment no later than the April 1 following the year in which they reach age 70½.

Normal Retirement

If you retire on your Normal Retirement Date, the exact amount of your pension will be calculated under the formula shown on page 5. The following is an example of how the benefit is determined:

<p>Example</p>	
<p>John has 35 years of Credited Service when he retires at age 65. His High-4 pay is \$50,000 and his age 65 Social Security annual benefit is \$15,000.</p>	
<p>1.80% x 35 years of Credited Service x \$50,000 (or 63% x \$50,000)</p>	<p>= \$31,500 minus</p>
<p>1.14286% x 35 years of Credited Service x \$15,000 (or 40% x \$15,000)</p>	<p>= \$ 6,000 equals</p>
<p>Earned benefit payable for his life only</p>	<p>= <u>\$25,500*</u> a year or \$2,125 a month</p>

*Benefit is payable for John’s life only. In order to provide a survivor’s benefit, this amount would be reduced. See [page 16](#) for more information on payment options.

If You Work Beyond Normal Retirement

If you continue working beyond your Normal Retirement Date, you will continue to earn benefits until you actually retire. Payments will begin when you actually retire and will be calculated using your Credited Service and High-4 Pay at that time. In addition, you may be entitled to an actuarial adjustment to reflect any months of service after your Normal Retirement Date in which you worked fewer than 40 hours and received no benefit payments.

If the present value of your benefit (at or after Normal Retirement) is \$1,000 or less, your pension benefit will automatically be paid in a single lump sum shortly after your termination date. If the present value of your benefit is greater than \$1,000 but not more than \$7,500, you may elect to receive a one-time, lump-sum payment instead of a monthly benefit. This amount would be eligible for rollover to an Individual Retirement Account (IRA) or another employer’s qualified plan (if that plan accepts rollovers).

Early Retirement/Termination of Employment

If you leave before your Normal Retirement Date, you will still receive a pension if you qualify for either an **Early** or a **Deferred Vested Retirement**.

Early Retirement

You can receive a pension benefit if you retire as early as the first day of any calendar month following the date you reach age 55 and complete 15 years of Continuous Service. The day you begin early retirement will be your “Early Retirement Date.” Your benefit can start on your Early Retirement Date, or you may elect to receive it beginning on the first day of any month thereafter until age 65. Your pension will be calculated using the formula shown on [page 5](#) and will be reduced for payment before age 65 according to the chart below. Your High-4 pay, Credited Service and Social Security benefit will be calculated as of your Early Retirement Date.

If you want payments to begin before your Normal Retirement Date, the monthly amount may be reduced to allow the earlier benefit payments. The percentage of the earned benefit that you receive will depend on your years of Credited Service at early retirement and your age when payments begin. If you begin collecting a reduced benefit before age 65, your benefit will not change when you reach age 65.

Final Average Pay Formula – Hired Before January 1, 2003

The following table shows what percentage of your earned benefit you get if your payments start before age 65:

Your age when your benefit begins:	If you have at least 15 but less than 20 years of Credited Service, then you get this percentage of your earned benefit:	If you have 20 or more years but less than 35 years of Credited Service, then you get this percentage of your earned benefit:	If you have 35 or more years of Credited Service, then you get this percentage of your earned benefit:
55	60%	65%	100%
56	65%	72%	100%
57	70%	79%	100%
58	76%	86%	100%
59	82%	93%	100%
60	88%	100%	100%
61	94%	100%	100%
62	100%	100%	100%
63	100%	100%	100%
64	100%	100%	100%

If the present value of your benefit at Early Retirement is \$1,000 or less, your pension benefit will automatically be paid in a single lump sum shortly after your termination date. If the present value of your benefit is greater than \$1,000 but not more than \$7,500, you may elect to receive a one-time, lump-sum payment instead of a monthly benefit. This amount would be eligible for rollover to an Individual Retirement Account (IRA) or another employer’s qualified plan (if that plan accepts rollovers).

The following is an example of an Early Retirement calculation with payments beginning at that time:

<i>Example</i>			
Bob retires at age 55 with 30 years of Credited Service and wishes to collect his pension at retirement. His High-4 pay at his Early Retirement Date is \$45,000 and his estimated annual age-65 Social Security benefit is \$13,000.			
Here is how we figure his Early Retirement benefit:			
1.80% x 30 years of Credited Service x \$45,000 (or 54% x \$45,000)	=	\$24,300	minus
1.14268% x 30 years of Credited Service x \$13,000 (or 34.2858% x \$13,000)	=	4,457	equals
Earned benefit payable for his life only— beginning at age 65	=	<u>\$19,843</u>	a year
The age 65 benefit is reduced since Bob’s payments will begin early			
65% x \$19,843	=	<u>\$12,898</u>	a year -- or
Bob’s benefit payable at Early Retirement		<u>\$1,075</u>	per month

Note: Bob’s benefit is payable for his life only. In order to provide a survivor’s benefit, this amount would be reduced. See *Optional Forms of Payment*, [page 15](#) for more information on payment options.

Deferred Vested Retirement

If you leave the Company before you are eligible for Normal or Early Retirement, you will still be entitled to a benefit if you have five or more years of Continuous Service when your employment stops. If you do not meet this requirement, you will not be entitled to a benefit.

Final Average Pay Formula – Hired Before January 1, 2003

Your pension will be calculated according to the formula shown on [page 5](#), using your High-4 pay, Credited Service and Social Security benefit calculated as of your termination date. Your Social Security benefit will be based on the law in effect at the time you leave the Company. If you are not age 55 at termination, we will assume that your earnings, for Social Security purposes, will continue at your last rate of pay until you reach Normal Retirement age.

Generally, Deferred Vested benefits are not paid until you reach age 65. If the present value of your benefit is \$7,500 or less when you elect to begin payments, you may elect to receive a one-time, lump-sum payment instead of a monthly benefit. This amount would be eligible for rollover to an IRA. If you have at least 15 years of Continuous Service at termination you may begin collecting a reduced monthly benefit (using the same percentages shown in the table above) as early as age 55.

Payment Options for Deferred Vested Retirement

Deferred vested retirement payments are made in the form of a Life Annuity; payment will cease upon your death. If you are married when payments begin, you may elect a 50% or 75% Contingent Annuitant Option instead of the Life Annuity at that time (the Life Annuity can also be selected, if your spouse provides written notarized consent).

If You Transfer Between Controlled Group Companies

If you transfer to a nonparticipating company (within the controlled group of companies), you will continue to earn Continuous Service, which is used to determine vesting and eligibility for Early Retirement. Credited Service, which is used to calculate the amount of your benefit, will stop accruing on the date you transfer out of the participating company. If you later transfer to a participating company with no other break in service, you will immediately be eligible to accrue Continuous and Credited Service, if you had previously met the Plan’s participation requirements.

If You Are Receiving Short-Term Disability Benefits

If you receive benefits under the Company’s short-term disability plan and you were employed by a participating company immediately before becoming disabled, you will continue to be treated as an active employee for all Retirement Plan purposes. Your pension benefit accrual during a short-term disability absence will be based on your base pay rate you were earning at the time you became disabled.

If You Become Disabled

If you become totally and permanently disabled, you may be eligible for a disability benefit under the Plan. The duration of the payments will depend on your years of Continuous Service at your Disability Retirement Date.

Who Is Covered

You are automatically covered for LTD benefits under the Plan once you complete one year of Continuous Service. The Company pays the full cost of providing this benefit. Any disability insurance you may have purchased from outside insurance companies is in addition to the disability benefits paid from this Plan. The Progress Energy Florida Long-Term Disability Plan also provides coverage in addition to the coverage under this Plan.

What Is Total Disability

You must be classified as an active employee on the day you become Totally Disabled (“Disability Date”). Your “Disability Retirement Date” is the first day of the sixth calendar month after your Disability Date. Your “Disability Period” begins on your Disability Retirement Date. For example, if you become disabled any time in the month of March, your Disability Retirement Date would be September 1 and your Disability Period would begin on September 1.

“Total Disability” is defined as follows:

- **During the first 12 months of your Disability Period** – You are continuously disabled by reason of sickness or injury and are prevented from performing your company-assigned duties as determined by your personal physician and the medical provider chosen by the Plan Administrator, without regard to whether you will be considered totally disabled by the Social Security Administration during this period;

Final Average Pay Formula – Hired Before January 1, 2003

- **After the first 12 months of your Disability Period—**
 - You are continuously disabled by reason of sickness or injury and you are prevented from engaging in **any** occupation (as determined by the Long-Term Disability Committee) for which you are reasonably qualified by training, education, background and experience; **AND**
 - You are under the regular care of a physician acceptable to the Long-Term Disability Committee; **AND**
 - The Social Security Administration has determined that you became disabled while classified as an active employee of the Company and you have been approved to receive Social Security benefits; **OR**
 - You have been approved as being Totally Disabled by the Long-Term Disability Committee.

How Much You Can Collect

The monthly Disability benefit payable is the greater of:

- (40% of your High-4 pay) less (40% of your Social Security Disability Benefit), **or**
- Your Early Retirement benefit (if eligible)

“Other payments” are deducted from your monthly disability benefit, including Workers’ Compensation or similar benefits (but not including payments for the loss of a bodily member) and any pension-type disability benefits payable under state or federal law.

Your disability benefit will not be greater than your projected age 65 Normal Retirement benefit (counting future service and level income to age 65).

Minimum Amount

If you qualify for Early Retirement at the time you become disabled, your Disability benefits will never be less than the Early Retirement benefit you would have received had you retired on your Disability Retirement Date.

How Long You Can Collect

How long you can collect a Disability benefit depends on your Continuous Service at your Disability Retirement Date.

If Continuous Service Is:	Benefits Are Payable
Less than 10 years	Up to the number of years and months of Credited Service you have at your Disability Retirement Date but not beyond your Normal Retirement Date
10 years or more	Until you become rehabilitated or you reach your Normal Retirement Date

If you do not return to work or are not rehabilitated and you reach your Normal Retirement Date, your benefit will be recalculated. You will receive the greater of: a) your benefit calculated as of your Disability Retirement Date (not reduced for early payment) or b) the disability benefit you have been receiving. You will also be required to re-elect your form of payment (see page [13](#) for details).

Example

Charlie is age 50 and had 10 years of service when he became totally disabled. He did not elect either the 60% or the 70% LTD coverage options, so he is eligible only for the 40% of final average earnings option under the Retirement Plan. At the time he is determined to be disabled, his final average earnings are \$3,500. His Social Security Disability Benefits are determined to be \$1,600 per month. Since Charlie is not yet 55, he is not eligible for Early Retirement benefits. His benefit under the Retirement Plan is calculated as follows: 40% of Charlie's final average pay equals \$1,400 per month. This amount is offset by 40% of his Social Security Disability benefits (\$1,600 x .40) or \$640. The Retirement Plan pays Charlie \$760 per month (\$1,400 - \$640).

Final average earnings	\$3,500
Times 40%	<u>x .40</u>
40% of final average earnings	\$1,400
Less Social Security offset (\$1,600 x 40%)	<u>(\$640)</u>
LTD benefit paid from the Retirement Plan	\$ 760

Since Charlie had 10 years of service when he became totally disabled, his payments from the Retirement Plan will continue for his life, assuming continued eligibility and qualification.

Payment Options for Disability Benefits

Disability benefit payments are made in the form of a Life Annuity. If you have 10 or more years of Continuous Service at your Disability Retirement Date, you may elect a 50% or 75% Contingent Annuitant Option instead of the Life Annuity at that time.

When Disability Benefits Stop

Disability benefits will stop when any of the following occurs:

- You recover, return to work, or die.
- You refuse to take a Company-paid medical exam (never more than two a year are required), using a doctor acceptable to the Long-Term Disability Committee.
- The Long-Term Disability Committee determines that you no longer qualify for disability income based upon the status of your Social Security disability award and medical opinions.
- You have not been approved for total disability by the Social Security Administration within 12 months of your Disability Retirement Date.

Retirement Plan Benefits Can Start

Even if your disability benefits stop (for any reason mentioned above) and you are not restored to active service with the Company, you may still be entitled to a pension benefit under the Plan.

You will be eligible for pension benefits under this Plan at your Disability Retirement Date if you qualify for either:

- Early Retirement (age 55 or older and 15 or more years of Continuous Service), or
- Deferred Vested Retirement (5 or more years of Continuous Service).

If you qualify, you may elect to have Early Retirement benefits begin on the first day of the month after your disability benefits stop. Deferred Vested Retirement benefits start on your Normal Retirement Date or as early as age 55 if you have at least 15 years of Continuous Service as of your Disability Retirement Date. In addition, if you qualify for Deferred Vested Retirement Benefits but do not meet the age 55 and 15 years of Continuous Service requirement described in the previous sentence, you may elect to receive your Retirement Plan benefit in a lump-sum payment if the present value of your benefit does not exceed \$7,500.

If You Return to Work With the Company

If you work until your Normal Retirement Date, your Retirement Plan benefit will be based on all of your service as if you had been working during your Disability Period. Your earnings for your Disability Period will be based on your pay rate for the calendar year prior to disability.

If you return to work but do not remain employed until your Normal Retirement Date, your Disability Period will be considered a leave of absence. You will receive Continuous Service but no additional Credited Service for your Disability Period.

How Pension Benefits Are Paid

In most cases, pensions are paid monthly starting with the date you retire. The payment option depends on the present value of the benefit and whether you are married or single at the time the benefit begins. You may select only one payment option, and you cannot change that option once payments begin.

Small Benefits

If the present value of your benefit at retirement or termination is \$1,000 or less, your pension benefit will automatically be paid in a single lump sum shortly after your termination date. If the present value of your benefit is greater than \$1,000, but not more than \$7,500.00, you may elect to receive a one-time, lump-sum payment instead of a monthly benefit. This amount would be eligible for rollover to an IRA or another employer’s qualified plan (if that plan accepts rollovers).

Normal Forms of Payment

- **If you are married**, the normal form of payment is the 50% Contingent Annuitant option (with reduction for early payment, if applicable), with your spouse as beneficiary. The amount of the reduction depends on both of your ages when payments begin.
- **If you are single**, the normal form of payment is the Life Annuity (with reduction for early payment, if applicable). No benefits are paid after your death.

Your benefit is automatically paid as shown above, unless you decide to choose an option as described in the next section, ***Optional Forms of Payment***.

Optional Forms of Payment

When your benefit begins, you can name anyone as your beneficiary. However, if your beneficiary is someone other than your spouse, you cannot elect an option that reduces what you would receive by more than 50%. If you are married, your spouse must provide notarized consent if you elect a form of payment which leaves him or her less than 50% of your reduced pension amount, or if you select a beneficiary other than your spouse.

Life Annuity Option

You receive your earned benefit (after any adjustments for early payment, if applicable) payable for your life only.

Ten-Year Certain Option

Your earned benefit (after any adjustments for early payment, if applicable) is slightly reduced and will be paid as long as you live but for not less than 120 months. If death occurs before you receive 120 monthly checks, the remaining monthly payments will be made to your beneficiary or estate. If you are married, your spouse must provide notarized consent for you to elect this form of payment. (Available for Normal and Early Retirements only).

Contingent Annuitant Option

Your earned benefit (after any adjustments for early payment, if applicable) is actuarially reduced and paid as long as you live, with the provision that upon your death, your beneficiary will receive a percentage of your benefit. The actuarial reduction is based on both your age and your beneficiary’s age at the time payments begin. You may choose one of the following options: 100%, 75%, 66-2/3%, 50%, 33-1/3% or 25%. You may not choose an option that will reduce the pension benefit you would have received by more than half of your Life Annuity amount. (Deferred Vested Retirements and Disability Retirements collecting their benefit prior to Normal Retirement may choose only the 50% or 75% options from this category.)

If you or your beneficiary die before you begin receiving your benefit, the option automatically cancels. After you start receiving your benefit, if your beneficiary dies, your pension will be adjusted to the Life Annuity amount. This new amount will be effective the first of the month after the Plan Administrator is notified of the death of your beneficiary, regardless of when the death occurred. This increased benefit will be payable for your life. If your beneficiary dies before you, you cannot choose another beneficiary.

Social Security Leveling Option

If you are eligible for Early Retirement and retire prior to age 62, you may choose to receive a larger benefit before you collect Social Security at age 62 and a smaller benefit thereafter. This option will provide approximately a level monthly income before and after Social Security starts. If you are married, your spouse must provide notarized consent for you to elect this form of payment. Payments stop at your death with no payments made to a beneficiary.

Lump Sum Payment

You may elect a lump-sum payment of your Plan benefit if the actuarial equivalent of the benefit is \$7,500 or less.

If You Terminate Employment and Return

Retire/Return to Active Employment

If you leave as a Normal or Early Retirement and subsequently return to active employment with the Company:

- Your pension payment will stop in the month following your completion of six continuous months of service;
- If your payment stops, any payment option you had previously elected will be canceled; and
- Any Continuous Service and Credited Service you were entitled to at retirement will be restored.

When you retire again after returning from a Normal or Early Retirement, if you notify the Plan Administrator, your pension payment will resume no later than the first day of the third month after you stop working. Your benefit will be based on your pay and Credited Service **before and after** your prior retirement. Your benefit may be actuarially reduced by any retirement payments you received before returning to active employment. However, the amount payable will not be smaller than the amount you were receiving when you returned to active service. Your benefit may also be adjusted to recover retirement payments that you received but were not due to you when you came back to work.

Return After Deferred Vested Retirement

If you had at least five years of Continuous Service when you terminated employment and you return to active employment:

- The Plan may restore all of your Continuous Service. It restores your Credited Service, too, provided you did not receive a one-time, lump-sum payment prior to the second Plan Year after the Plan Year of your termination. You do not receive any Continuous Service for the period of time you did not work.
- When you again retire or leave, your benefit will be based on your pay and Credited Service before you left and after you returned. Your benefit will be actuarially reduced by any retirement payments you received before rejoining the Company. However, the amount payable will not be smaller than the amount you were receiving when you returned to active service.

Death Benefits

While Married and Actively Employed

Depending on your years of Continuous Service, the Plan may provide a benefit for your surviving spouse. She or he may collect a lifetime monthly pension if you die **before** you retire. **(If you are not married at the time of death, no benefits are payable.)**

If you are married at the date of death and have completed **at least five years but less than ten years of Continuous Service**, the Plan provides a future benefit for your surviving spouse. This benefit is one-half of the reduced benefit you would have been entitled to, based on your High-4 pay and Credited Service as of the date of death. Your spouse will receive the first payment on what would have been your Normal Retirement Date. This benefit is payable for the life of your spouse.

If you are married at the date of death and have completed **ten or more years of Continuous Service**, the Plan provides your surviving spouse with a benefit that is payable immediately. Benefits begin the month following death and continue for the life of your spouse. Your spouse will receive a percentage of the benefit you would have collected had you worked to Normal Retirement, based on your High-4 pay as of the date of death (see table below).

Percentage of Benefit	If Employee's Age at Death Is:
10%	Less than 35 years
15%	35 - 39 years
20%	40 - 44 years
25%	45 - 49 years
30%	50 - 54 years
35%	55 - 59 years
40%	60 years or older

Note: If your spouse is younger (or older) than you, any age difference of more than five years means a reduction (or increase) in the monthly benefit.

If you are married and die in active service after your Normal Retirement Date, your spouse's pension will be figured as if you had retired just before your death.

If you die in active service having reached age 55 with at least 15 years of Continuous Service, your spouse will never receive less than one-half of the reduced Early Retirement benefit you would have collected had you retired just before death.

If the present value of your spouse's benefit is not more than \$7,500, he or she may elect to receive a one-time, lump-sum payment instead of a monthly benefit. Any such one-time payment would be in lieu of a monthly pension payment.

During Disability Retirement

If you have completed **at least five but less than ten years of Continuous Service** as of your date of death, the Plan will provide a future benefit to your surviving spouse beginning on the date you would have reached Normal Retirement. This benefit will be equal to one-half of the reduced benefit (calculated as of your date of death) which you would have received at Normal Retirement.

Final Average Pay Formula – Hired Before January 1, 2003

If you have completed **ten or more years of Continuous Service** as of your date of death, your spouse's pension benefit will be a percentage of the benefit you would have received had you worked to Normal Retirement, but based on your High-4 pay as of the date of Disability Retirement. This pension benefit is payable only to the spouse to whom you were married to at the time of disability. The percentages are based on your age at death and are shown in the table shown above. In determining your spouse's pension death benefit, your age and Benefit Service up to your date of death will be used.

NOTE: If you elected the 50% or 75% Contingent Annuitant Option at the time of Disability Retirement, the disability death benefit will be paid to your named beneficiary. (See *Payment Options for Disability Benefits*, [page 13](#).)

If the present value of your spouse's benefit is not more than \$7,500, he or she may elect to receive a one-time, lump-sum payment. This one-time, lump-sum payment would be in lieu of a monthly pension payment.

After Early Retirement But Before Benefits Begin

If you retire early but die before your benefits start, your spouse will receive a payment beginning the first of the month after your death. Your spouse will receive 50% of the reduced benefit you were entitled to immediately prior to your death, unless you elected the 100%, 75% or 66-2/3% Contingent Annuitant Option.

If the present value of your spouse's benefit is not more than \$7,500, he or she may elect to receive a one-time, lump-sum payment instead of a monthly benefit. This one-time, lump-sum payment would be in lieu of a monthly pension payment.

Before Deferred Vested Benefits Begin

If you leave the Company entitled to a Deferred Vested benefit and you die before payments begin, a lifetime benefit is automatically provided to your spouse, unless you and your spouse previously waived Survivorship Coverage. The benefit your spouse will receive will be one-half of the reduced benefit you would have received on the earliest date your payments could have started.

If the present value of your spouse's benefit is not more than \$7,500, he or she may elect to receive a one-time, lump-sum payment instead of a monthly benefit. This one-time lump-sum payment would be in lieu of a monthly pension payment.

Calculating Deferred Vested Pension Death Benefits

To calculate the death benefit your surviving spouse will receive from your deferred vested pension, you must first calculate how the benefit you would have received will be reduced. The reduction will be calculated each year based on your age and will accumulate until the benefit begins. The following chart shows the percentage reduction at each age (Column B) and a sample survivorship calculation:

Example: Kathy is 42 years old and married. She leaves the Company with a Deferred Vested pension of \$652 per month payable at age 65. She and her spouse do not waive the Survivorship Coverage. Her age 65 benefit would be reduced as shown in the following example:

(A) Age Range*	(B) Percentage Reduction per Year*	(C) Monthly Age 65 Benefit	(D) Monthly Cost [(B) x (C)] / 12	(E) Number of Months in Range	(F) Amount of Offset to Benefit (D) x (E)
42 – 49	.25%	\$652.00	\$.13	96	\$12.48
50 – 54	.45%	\$652.00	\$.24	60	\$14.40
55 – 59	.65%	\$652.00	\$.35	60	\$21.00
60 – 64	.80%	\$652.00	\$.43	60	\$25.80

*The percentage reduction for former participants under age 40 is 10% per year.

Final Average Pay Formula – Hired Before January 1, 2003

Total reduction to age 65 monthly benefit: \$73.68

At age 65, Kathy's reduced monthly pension would be \$578.32 rather than \$652.00. The \$578.32 amount would then be reduced again to determine the survivor benefit payable to Kathy's spouse after her death.

The Survivorship Coverage reduction described above does **not** apply if both your termination date and your Benefit Commencement Date occur on or after January 1, 2007. In that case, the benefit your spouse will receive if you have not waived Survivorship Coverage will be one-half of the benefit you would have received on the earliest date your payments could have started.

You and your spouse may waive Survivorship Coverage (and revoke your waiver) at any time after termination but before payments begin. If you have waived coverage and you die before payments begin, your spouse **will not** receive any benefit.

How to Obtain Benefits

You must request and complete the required forms to collect any benefits under this Plan. Contact the Employee Service Center to request forms to initiate your benefit under the Plan.

Before you collect your benefit, the Employee Service Center will give you written notice of the time you have to make your decision and when your election becomes effective.

You must send your written request to begin payments to the Employee Service Center at least 30 days but not more than 90 days before your pension begins in order to allow sufficient time to process your claim. You may change your election at any time prior to the date your pension begins. Your option takes effect when your payments begin.

Cash Balance Formula – Hired on or after January 1, 2003

**Cash Balance Formula –
Hired on or after January 1, 2003**

If you were hired on or after January 1, 2003 and were not previously an employee of a company within the controlled group of companies of Florida Progress Corporation or a company within the controlled group of companies of Progress Energy, Inc. after November 30, 2000, your benefits will be calculated under the cash balance formula. (See [page 5](#) if you were hired before January 1, 2003.)

How the Cash Balance Formula Works

As a new employee hired on or after January 1, 2003, a cash balance account will be set up for you on the first day of the month after your date of hire. You will accrue applicable Pay Credits and Interest Credits each year until you terminate or retire.

For each year of participation, your cash balance account will grow with:

- Pay Credits
- Interest Credits

Pay Credits

Pay Credits are added to your account on December 31 each year. The amount of your Pay Credits will depend on the following:

- **Your annual base pay rate**, which means your base pay rate while a participant in this Plan, including base pay increases given as a lump sum, **but not including** overtime, double time, shift differential, bonuses, Employee Cash Incentive Plan awards, MICP awards, LTIP awards or any other types of pay. "Pay" in excess of IRS limits (\$245,000 in 2009) is not considered under the Plan formula.
- **Your age** in whole years (not rounded) at the *beginning* of each plan year, January 1.

Cash Balance Account Pay Credits	
Age at Beginning of Calendar Year	Pay Credit Percentage
Under 35	3.00%
35–39	3.50%
40–44	4.25%
45–49	5.00%
50–54	6.00%
55 or older	7.00%

Pay Credit Formula
Annual base pay rate × Pay Credit percentage = Pay Credit amount

If you terminate employment, final pay credits will be added to your account based on the portion of the year that you worked.

Example

Joe is hired on January 1, 2009, at age 45, and his annual base pay rate for 2009 is \$50,000. Based on his age, Joe's Pay Credit percentage equals 5%. The pay credit to Joe's cash balance account on December 31, 2009, would equal:

Pay Credit Example		
Annual Base Pay Rate	Pay Credit Percentage	Pay Credit Amount
\$50,000	x 5.00%	= \$2,500

Cash Balance Formula – Hired on or after January 1, 2003

Additional Pay Credits

You receive additional pay credits to your account on December 31 for years when you earn more than 80% of the Social Security Wage Base. The Social Security Wage Base is the amount of your eligible earnings subject to the 6.2% Social Security tax that both you and the Company pay. The Wage Base is generally adjusted each year. For 2008, the wage base was \$102,000 and for 2009, it is \$106,800.

Social Security does not count earnings over the Wage Base to calculate retirement benefits. Additional pay credits help ensure that your combined Retirement Plan and Social Security benefits provide employees at all earning levels with comparable percentages of replacement income for retirement. Additional pay credits equal your pay credit percentage multiplied by any annual base pay you receive in excess of 80% of the Social Security Wage Base.

Example

Bob is hired on January 1, 2009, at age 51, and his annual base pay rate for 2009 is \$90,000. Based on his age, Bob’s pay credit percentage equals 6%. For 2009, Bob would receive an additional pay credit on the amount of his pay over \$85,440 (80% of the 2009 Social Security Wage Base of \$106,800).

Additional Pay Credit Example		
Annual Base Pay Rate	Pay Credit Percentage	Pay Credit
\$90,000 x	6.00%	= \$5,400
Amount in Excess of 80% of the Social Security Wage Base	Pay Credit Percentage	Additional Pay Credit
\$4,560 x (\$90,000 - \$85,440)	6.00%	= \$274
	Total Pay Credit	= <u>\$5,674</u>

(For this example, numbers have been rounded to whole dollars)

Interest Credits

Interest credits are added to your account on December 31 of each year (or until your Benefit Commencement Date, if earlier) based on the following formula:

Interest Credit Formula
Balance as of January 1 × Interest Credit rate

The interest credit rate schedules through 2009 are shown below. The Board of Directors determines the schedule for the periods thereafter. Under the current terms of the Plan, interest credit rates will not be less than 4%.

Cash Balance Account Interest Credits	
Year	Interest Credit Rate
2005	5.0%
2006	5.0%
2007	5.0%
2008	5.5%
2009	5.5%
2010 and thereafter	4.0% (minimum)

Cash Balance Formula – Hired on or after January 1, 2003

Interest credits will be applied to your account while your account remains in the Plan, even if you terminate employment. If you leave and defer receipt of your cash balance account benefit, interest will be credited according to the Interest Credit rate schedule in effect at the time you terminate. Once the schedule expires, you will earn 4% until your money is withdrawn. For example, if you terminate in 2009, interest would be credited to your account for 2009 at 5.5%. Beginning in 2010, the interest credit value rate applied to your deferred cash balance account would be 4%. If you transfer among the controlled group of Progress Energy companies, special rules apply. (See *If You Transfer Between Controlled Group Companies*, [page 24](#))

Example

Suppose Joe’s beginning cash balance account balance for 2007 is \$5,500. In this case, the interest credit added to his account for 2007 would be determined as follows:

Interest Credit Example		
Account Balance January 1, 2007	Interest Credit Percentage for 2007	Interest Credit Applied December 31, 2007
\$5,500	x 5.0%	= \$275

Putting It All Together

The following example illustrates how Joe’s cash balance account could grow over time.. Assuming Joe’s balance on 1/1/2007 was \$5,500 and he was 39 years old on 1/1/2007, he would receive the following annual Pay Credits and Interest Credits (assuming a 3% annual salary increase):

Cash Balance Account Accumulations					
Age on January 1	Annual Base Pay Rate	January 1 Balance	Pay Credit	Interest Credit	December 31 Balance
39 (2007)	\$40,000	\$5,500	\$1,400	\$330	\$7,230
40 (2008)	\$41,200	\$7,230	\$1,751	\$434	\$9,415
41 (2009)	\$42,436	\$9,415	\$1,804	\$565	\$11,784

For illustration purposes only, the numbers in this example have been rounded to whole dollars.

Vesting

When you are vested, you have a non-forfeitable right to your pension benefit. If you terminate employment after you are vested, you will be entitled to a pension benefit.

Generally, you become vested under the Plan on the earlier of:

- The date you complete 5 years of Continuous Service (see next section), or
- The date you reach your Normal Retirement Age (generally the later of age 65, or the fifth anniversary of the date you first became a participant in the Plan, provided you were employed within the controlled group of Progress Energy companies on that date).

If you have vesting service on or after January 1, 2008, you become vested after you complete 3 years of vesting service.

What You Need to Know About Service

Continuous Service

Continuous Service determines when you become entitled to a benefit. You earn a full year of Continuous Service when you work (or are paid for) 1,000 hours in a calendar year (January–December). Otherwise, you earn no Continuous Service for that year. Continuous Service also determines when you may participate in the Plan after an absence. (See *Approved Absences*, page 23, and *If You Terminate Employment and Return*, [page 23.](#))

Cash Balance Formula – Hired on or after January 1, 2003

For full-time employees, Continuous Service begins on the later of your date of hire or the date the nonparticipating company that was your employer was acquired by the controlled group of Progress Energy companies. It includes all of your employment within the controlled group of Progress Energy companies. For part-time and temporary employees, Continuous Service begins on the first day of the month in which you meet the Plan eligibility requirements. After five years of Continuous Service, you are entitled to 100% of any Plan benefit you have earned. You must have five or more years of Continuous Service to receive any benefit from the Plan. Beginning January 1, 2008, to be entitled to 100% of any earned Plan benefit, you will need three years of Continuous Service.

Service With a Non-Participating Company

If you have worked for one of the companies considered part of the "controlled group" of Progress Energy, Inc. but which is not authorized to adopt the Plan, some or all of your employment may count as Continuous Service. If you want more information regarding your benefit eligibility when you have been employed by a non-participating company, contact the Employee Service Center at 1-800-546-5705 or VoiceNet 770-5705.

Approved Absences

A leave of absence may affect the determination of your credits and Continuous Service. The types of approved leaves are as follows:

- Service in the Uniformed Services with a return to the Company within 90 days of discharge or such later date as your reemployment rights permit
- Maternity leave
- A Company-approved educational leave of absence
- A Company-approved paid leave of absence
- A Company-approved non-paid leave of absence
- An approved leave under the Family and Medical Leave Act

You receive Continuous Service credit for the duration of your leave in the instances above, provided you return to work for the Company at or before the expiration of the authorized leave period.

Your cash balance account continues to earn interest credits but will not receive pay credits during an unpaid absence.

If You Terminate Employment and Return

You incur a break in service when you work or are paid for 500 hours or less in a calendar year (except in your first or last year of employment).

If you terminate employment with the controlled group of Progress Energy companies and are rehired by a participating company, you will become a Plan participant immediately upon rehire. Your future benefits under the Plan upon returning to work for a participating company depend on whether you have received or are receiving payments from the Plan.

If You Have Not Received a Pension Benefit

If you left the controlled group of Progress Energy companies after you have an established cash balance account but before you are vested, when you are rehired your account balance may be restored and credited with interest based on the interest rate schedule in effect when you leave. This will be based on whether you were vested and the length of time you are gone. You will forfeit any cash balance account and lose any Continuous Service unless:

- Your break-in-service period was shorter than the greater of (a) five years or (b) your Continuous Service period.

For example: If you had four years of Continuous Service (and thus were not vested) when you left but you were gone for only three years, you would not forfeit your cash balance account.

If You Have Received a Pension Benefit

If you received a full distribution of your pension or if you are still receiving annuity payments, you will be treated as a new employee upon your return. If you are receiving annuity payments, those payments will not be affected by your rehire.

Regardless of whether you have or have not received a pension payment, once you are reinstated as a Plan participant:

- Your account will receive pay credits and interest credits according to Plan provisions.
- You will receive credit for vesting service earned before your absence if you were vested when you left.

If You Transfer Between Controlled Group Companies

If you transfer to a nonparticipating company (within the controlled group of companies), your cash balance account will continue to earn interest credits on the same interest rate schedule as that applicable to participants in participating companies but will not receive pay credits. If you later transfer to a participating company with no other break in service, you will immediately be eligible to earn pay credits, if you had previously met the Plan’s participation requirements.

If You Are Receiving Short-Term Disability Benefits

If you receive benefits under the Company’s short-term disability plan and you were employed by a participating company immediately before becoming disabled, you will continue to be treated as an active employee for all Retirement Plan purposes. Your Pay Credits during a short-term disability absence will be based on the actual pay you receive during that period. In addition, your account will continue to earn Interest Credits while you are receiving short-term disability benefits.

If You Become Disabled

Who Is Covered

You are automatically eligible for basic disability coverage once you complete one year of Continuous Service. The Company pays the full cost of providing this benefit. Any disability insurance you may have purchased from outside insurance companies is in addition to the disability benefits paid from this Plan. You should refer to the SPD for the Progress Energy Florida, Inc. Long-Term Disability Plan (the “LTD Plan”) for a discussion of additional LTD options that are available to you under the LTD Plan.

What Is Total Disability

You must be classified as an active employee on the day you become Totally Disabled (“Disability Date”). “Disability Retirement Date” is the first day of the sixth calendar month after your Disability Date. Your “Disability Period” begins on your Disability Retirement Date. “Total Disability” is defined as follows:

- **During the first 12 months of your Disability Period**—you are continuously disabled by reason of sickness or injury and are prevented from performing your Company-assigned duties as determined by your personal physician and the medical provider chosen by the Plan Administrator, without regard to whether you will be considered totally disabled by the Social Security Administration during this period.
- **After the first 12 months of your Disability Period**—
 - You are continuously disabled by reason of sickness or injury and you are prevented from engaging in **any** occupation (as determined by the Long-Term Disability Committee) for which you are reasonably qualified by training, education, background and experience; **AND**
 - You are under the regular care of a physician acceptable to the Long-Term Disability Committee; **AND**

Cash Balance Formula – Hired on or after January 1, 2003

- The Social Security Administration has determined that you became disabled while classified as an active employee of the Company and you have been approved to receive Social Security benefits; **OR**
- You have been approved as being Totally Disabled by the Long-Term Disability Committee.

How Much You Can Collect

Your monthly disability benefit will be the greater of:

- (40% of your High-4 pay) less (40% of your Social Security Disability Benefit), **or**
- Your cash balance account as of your Disability Retirement Date, converted to a monthly annuity

“Other payments” are deducted from the greater of (a) or (b). “Other Payments” include any Workers’ Compensation or similar benefits (but does not include payments for the loss of a bodily member) and any pension-type disability benefits payable under state or federal law.

How Long You Can Collect

How long you can collect a disability benefit depends on your Continuous Service at Disability Retirement.

If Continuous Service Is:	Benefits Are Payable
Less than 10 years	Up to the number of years and months of Credited Service you have at your Disability Retirement Date but not beyond your Normal Retirement Date
10 years or more	Until you become rehabilitated or you reach your Normal Retirement Date

Example

Charlie is age 50 and had 10 years of service when he became totally disabled. He did not elect either the 60% or the 70% LTD coverage options, so he is eligible only for the 40% of final average earnings option under the Retirement Plan. At the time he is determined to be disabled, his final average earnings are \$3,500. His Social Security Disability Benefits are determined to be \$1,600 per month. Since Charlie is not yet 55, he is not eligible for Early Retirement benefits. His benefit under the Retirement Plan is calculated as follows: 40% of Charlie's final average pay equals \$1,400 per month. This amount is offset by 40% of his Social Security Disability benefits (\$1,600 x .40) or \$640. The Retirement Plan pays Charlie \$760 per month (\$1,400 - \$640).

Final average earnings	\$3,500
Times 40%	x .40
40% of final average earnings	\$1,400
Less Social Security offset (\$1,600 x 40%)	(\$640)

LTD benefit paid from the Retirement Plan \$ 760

Since Charlie had 10 years of service when he became totally disabled, his payments from the Retirement Plan will continue for his life, assuming continued eligibility and qualification.

Payment Options for Disability Benefits

Disability benefit payments are made in the form of a Single Life Annuity. If you have 10 or more years of Continuous Service at your Disability Retirement Date, you may elect a 50% or 75% Joint & Survivor Option instead of the Single Life Annuity at that time.

When Disability Benefits Stop

Disability benefits will stop when any of the following occurs:

- You recover, return to work, or die.
- You refuse to take a Company-paid medical exam (never more than two a year are required), using a doctor acceptable to the Long-Term Disability Committee.

- The Long-Term Disability Committee determines that you no longer qualify for disability income depending upon the status of your Social Security disability award and medical opinions.
- You have not been approved for total disability by the Social Security Administration within 12 months of your Disability Retirement Date.

Retirement Plan Benefits Can Start

If your disability benefits stop because you reach age 65, or due to any of the reasons mentioned above, and you are not restored to active service with the Company, you will be eligible for Retirement Plan benefits if you are vested. At that time, your benefit will be calculated based on the value of your cash balance account, as adjusted with Pay and Interest Credits but not reduced by the disability benefits you have received. The retirement benefit amount will be the greater of your disability income or the annuity value of your cash balance account. (In lieu of the annuity, you may elect to receive the cash balance account in a lump-sum payment.) You may elect to receive this benefit under any of the forms of payment (see [page 28](#)) available under the Plan.

If You Return to Work With the Company

If you return work after a period of disability and you work until your Normal Retirement Date, your Retirement Plan benefit will be based on all of your service, including Disability Period, as if you had been working during the Disability Period. Your earnings for your Disability Period will be based on your pay rate for the calendar year prior to disability.

If you return to work but do not remain employed until your Normal Retirement Date, the period of your disability will be considered a leave of absence. Your account will be credited with Pay and Interest Credits during the Disability Period.

How Benefits Are Paid

If you are vested when you terminate or retire, the value of your cash balance account determines whether or not you will have a choice as to how and when you receive payment of your benefit.

Automatic Payment

Your pension benefit will be paid in a single lump sum shortly after your termination if:

- You terminate employment after you are vested, and
- The value of your benefit is equal to or less than \$1,000.

Optional Payment Start Dates

If you are vested and under age 55 when you terminate employment, you may receive your benefit immediately, if you make that election within 24 months of your termination date. If you do not make an election within 24 months, your benefit will not be payable until after you reach age 55.

If you are vested and age 55 or older when you terminate employment, you may elect to begin receiving your benefit at any time after your termination, but no later than the April 1 following the year in which you reach age 70½.

Deferred Payment

If you choose not to receive your pension benefit immediately or do not make an election during the 24-month election period after termination, payment of your pension benefit will be deferred. You may begin to receive your benefit on the first day of any month after you reach age 55, but must start receiving it no later than the April 1 following the calendar year in which you reach age 70 ½.

If you defer payment, you will not receive additional Pay Credits to your cash balance account after your termination date. Your account will continue to receive Interest Credits according to the Interest Credit rate schedule in effect on your termination date. Once that Interest Credit rate schedule expires, your account will earn 4% each year until it is withdrawn. Any subsequent plan amendments will not apply to your account. (See *Interest Credits*, [page 21](#).)

Cash Balance Formula – Hired on or after January 1, 2003

Calculating Forms of Payment

The Plan offers a variety of payment options designed to give you maximum flexibility. If your benefit is valued at more than \$1,000, your payment option choices depend on your age and marital status at the time you choose to receive payment, as shown below. Benefits of \$1,000 or less will automatically be paid in a single lump sum.

If you elect to receive monthly payments, your cash balance benefit will be converted to a Single Life Annuity (or to another form of annuity, based on your payment option choice).

Converting your cash balance into a Single Life Annuity requires two steps:

Step 1: Project your current account balance to your Normal Retirement Age (generally age 65). The Plan’s current interest rate schedule is used to make this projection. The interest rate schedule through 2009 is as follows.

Cash Balance Account Interest Credits	
Year	Interest Credit Rate
2005	5.0%
2006	5.0%
2007	5.0%
2008	5.5%
2009	5.5%
2010 and thereafter	4% (minimum)

Step 2: Divide the projected account balance at your Normal Retirement Age by an annuity conversion factor based on your age at your Normal Retirement Age (age 65 for most participants). This is the monthly Single Life Annuity that is payable commencing at your Normal Retirement Age unless you elect another starting date or other form of payment (in which case the annuity will be adjusted to reflect earlier receipt of the benefit).

The chart below illustrates the annuity payments you would receive depending on age if your cash balance account equaled \$100,000 at termination. For the purpose of this example, the numbers have been rounded to whole dollars.

Illustration: Monthly Annuities Based on \$100,000 Current Account Balance*	
Current Age	Immediate Commencement
30	\$450
35	\$462
40	\$478
45	\$500
50	\$530
55	\$572
60	\$629
65	\$677

* This illustration reflects the 30-year Treasury bond rate with one-half of one percent added for early commencement. This rate is subject to change annually as provided under the applicable provision of the Plan Document.

Normal Forms of Payment

- **If you are married**, the normal form of payment is the 50% Joint and Survivor option, with your spouse as beneficiary. However, if you want to choose a lump-sum distribution, an annuity option that provides no benefit to your spouse or a benefit less than the 50% Joint and Survivor option benefit, you may do so by obtaining your spouse’s written, notarized consent.

- **If you are single**, the normal form of payment is a Single Life Annuity. You may also choose the lump sum, partial lump sum or Single Life Annuity with Refund Feature options.

Optional Forms of Payment

Lump Sum

The total value of your cash balance account is paid in a single lump-sum cash payment. To avoid immediate taxation, you may roll over the lump sum into an Individual Retirement Account (IRA) or into another employer's plan that accepts rollovers. If you receive a lump sum before age 55 and do not roll it over into an IRA or another employer's qualified plan, it may be subject to a 10% penalty tax in addition to income taxes. Keep in mind that once your cash balance benefit has been paid as a lump sum, no further plan payments will be made to you, or to your beneficiary after your death.

Partial Lump Sum

This option pays a lump sum—either 25%, 50% or 75% of the entire cash balance account—as well as an annuity. You may elect this option only if you are age 50 or older when you terminate employment or retire and the remaining monthly annuity equals at least \$500. The remaining monthly annuity is generally paid as a Single Life Annuity if you are single or as a 50% Joint and Survivor Annuity if you are married.

Single Life Annuity

This option provides a monthly benefit payable over your lifetime. Under this option, no payments are made after your death. There is no actuarial reduction for this payment option.

Single Life Annuity with Refund Feature

This option provides a monthly benefit payable over your lifetime. To guarantee that you or your beneficiary receives the full value of your cash balance account, the amount of your monthly benefit is reduced by 5%. If there is any unpaid value of your account at your death, it will be paid as a single lump sum to your beneficiary.

50% Joint and Survivor Annuity

This option provides a monthly benefit payable over your lifetime. If your spouse survives you, one-half of your monthly benefit would continue to your spouse for his or her lifetime. If your spouse dies before you, however, your monthly benefit will not change and no further payments will be made after your death.

50% Joint and Survivor Annuity with Refund Feature

Under this option, your monthly benefit is actuarially reduced by 5%. If your spouse survives you, one-half of your monthly benefit would continue to your spouse for his or her lifetime. If there remains any unpaid value of your account after both you and your spouse die, a single lump sum will be paid to the estate of the last survivor.

75% Joint and Survivor Annuity

This option provides a monthly benefit payable over your lifetime. If your spouse survives you, three-quarters of your monthly benefit would continue to your spouse for his or her lifetime. If your spouse dies before you, however, your monthly benefit will not change and no further payments will be made after your death.

75% Joint and Survivor Annuity with Refund Feature

Under this option, your monthly benefit is actuarially reduced by 5%. If your spouse survives you, three-quarters of your monthly benefit would continue to your spouse for his or her lifetime. If there remains any unpaid value of your account after both you and your spouse die, a single lump sum will be paid to the estate of the last survivor.

100% Joint and Survivor Annuity with Life Reversion

Under this option, your monthly benefit is actuarially reduced to reflect the cost of the continuing payments at the same level to your spouse. In the event that you predecease your spouse, 100% of your monthly benefit would continue to him or her for life. If your spouse dies before you, your payments will be increased to the amount you would have received under the Single Life Annuity option.

Death Benefits***Before Payments Have Begun***

If you are vested and die before you retire or terminate your employment, or after you leave, but before you receive any benefit from your cash balance account, your beneficiary(ies) will receive a death benefit based on the lump sum you could have received from the Retirement Plan.

In the event that your beneficiary dies before the Benefit Commencement Date, a lump sum will automatically be paid to his or her estate.

During Disability Retirement

If you have 10 or more years of Continuous Service (including the time you were disabled) as of your date of death, a disability death benefit will be paid to your named beneficiary, provided you had elected the 50% or 75% Joint & Survivor Option at the time of your disability. (See “Payment Options for Disability Benefits” page 25)

Lump-sum Option

If your beneficiary receives a lump-sum payment, it will be equal to the amount you would have received if you had retired or terminated employment on the date of your death. Pay Credits will be updated to reflect the portion of the year, if any, that you were eligible to receive these credits. Interest Credits will be applied through the end of the month before payment is made.

Your beneficiary, whether a spouse or non-spouse, may elect a rollover of any lump sum distribution to an Inherited Individual Retirement Account (IRA). Anyone in this situation should contact a tax professional for details before making this election.

Annuity Option

If your spouse chooses an annuity, he or she will receive 100% of the monthly pension you could have received from your cash balance account at retirement age, actuarially reduced to reflect a benefit payable to your spouse immediately.

Your surviving spouse may choose a Benefit Commencement Date within 24 months following your death or defer receiving the benefit until after you would have reached age 55. However, the Benefit Commencement Date must not be later than the first day of the month following the date you would have reached Normal Retirement Age. If your spouse dies before the Benefit Commencement Date, then his or her estate will receive your benefit. The benefit payable to the estate would be a lump sum equal to the present value of the annuity your spouse would have begun receiving as of the first day of the month following his or her death.

Non-spouse beneficiaries are not eligible for the annuity option.

After Payments Have Begun

If you receive any benefit from this Plan before your death, any remaining benefit due will be paid according to the payment option you elected when benefits commenced.

Naming Beneficiaries for Your Cash Balance Account

Beneficiary designation forms are available from the Employee Service Center at 1-800-546-5705 or VoiceNet 770-5705.

Whom You May Name as a Beneficiary

You may name as your beneficiary a person, an irrevocable trust, your estate or other legal entity that is permitted by law to be designated as a beneficiary to receive payment of Plan benefits in the event of your death. The naming of beneficiaries is subject to the rules described below and may be subject to applicable state law.

Beneficiary Guidelines

Rules for naming your beneficiary for your cash balance account depend on your marital status:

Cash Balance Formula – Hired on or after January 1, 2003

- **If you are single**—You may name any beneficiary you wish.
- **If you are married**—Federal law requires that your spouse be your beneficiary unless your spouse provides written, notarized consent to the designation of another beneficiary. If you are married, under age 35, and designate someone other than your spouse as your beneficiary, your beneficiary designation becomes null and void on the earlier of:
 - The first day of the Plan Year in which you reach age 35, or
 - The date you terminate employment from the controlled group of Progress Energy companies.

Your beneficiary designation becomes null and void if:

- You get divorced and your beneficiary was your former spouse.
- You remarry, your beneficiary is someone other than your new spouse and your new spouse has not provided written notarized consent.

If your beneficiary designation is no longer valid and you have not completed a new form, the following “Beneficiary Defaults” will apply.

Beneficiary Defaults

If you don’t name a beneficiary or your beneficiary does not survive you, payments available to a beneficiary or beneficiaries upon your death will be paid according to the table below.

Marital Status	If You Don’t Name a Beneficiary
If you are married...	Your spouse will receive your benefit.
If you are single...	Your estate will receive your benefit.

When You Must Complete a Beneficiary Designation Form

The Employee Service Center must receive your completed beneficiary designation form before your death for your election to be effective. You may change or revoke any election by written notification to the Employee Service Center. The Employee Service Center must receive that notification before your death, and, if you are married, your spouse must provide written, notarized consent to your election of a non-spouse beneficiary.

How to Obtain Benefits

You must request and complete the required forms to collect any benefits under this Plan. Contact the Employee Service Center to request forms to initiate your benefit under the Plan.

Before you collect your benefit, the Plan Administrator will give you written notice of the time you have to make your decision and when your election becomes effective.

You must send your written request to begin payments to the Employee Service Center at least 30 days but not more than 90 days before your pension begins in order to allow sufficient time to process your claim. You may change your election at any time prior to the date your pension begins. Your option takes effect when your payments begin.

The Plan Administrator will provide you with a detailed explanation of how distributions to you under the Plan will be taxed. You will receive this “Special Tax Notice Regarding Plan Payments” before your distribution(s) begin(s).

Claim and Appeal Procedures

Claims Procedure

Employees, former employees with vested pension benefits, their beneficiaries, and any individual duly authorized by them have the right under ERISA and the Plan to file a written claim for payment. You may also file a claim if you believe that vesting service has not been computed correctly. If you or your beneficiary believes you may be entitled to benefits under the Plan, you should first contact the Progress Energy Employee Service Center at:

- 1-800-546-5705
- VoiceNet 770-5705
- employee.servicecenter@pgnmail.com

If your request for payment through the Employee Service Center is denied, you should file a written request with the Retirement Board. Send your written claim for pension payments to Retirement Board, Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation, Progress Energy, Inc., P.O. Box 1551, Raleigh, NC 27602.

If your claim is denied, in whole or in part, you will receive written notice of the Retirement Board's (the Plan Administrator's) decision, including the specific reason for the decision, within 90 days after the Retirement Board received the claim.

If the Retirement Board needs more than 90 days to make a decision, you will be notified in writing within the initial 90-day period explaining why more time is required. In this case, the Retirement Board may take an additional 90 days to make a decision.

The following appeal procedures give the rules for appealing a denied claim.

Appeal Procedure

If a claim for benefits is denied in whole or in part, you will receive a written explanation of the specific reasons for the denial, the plan provisions upon which the denial was based, and any additional information you need to submit to the Retirement Board. You or your authorized representative may appeal in writing within 60 days after the denial is received. Send the appeal directly to the Retirement Board, Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation, Progress Energy, Inc., P.O. Box 1551, Raleigh, NC 27602. The Retirement Board serves as the final review committee. It will conduct a review and make a final decision within 60 days after receipt of the written request for review.

If the Retirement Board needs more than 60 days to make a decision, it will notify you in writing within the initial 60-day period and explain why more time is required. The Retirement Board may then take an additional 60 days—for a total of 120 days—to decide. The decision will be in writing and will include the specific reasons for the decision and a statement of your right to bring an action under Section 502(a) of ERISA.

Submitting an Appeal

If you or your representative submits a written appeal for review of a denied claim, you have the right to:

- Review pertinent Plan Documents (see [Plan Document](#), below); and
- Write the Retirement Board about the issues and enclose any documents supporting the claim for benefits or other matter under review, even if they were not included with the original claim.

The Retirement Board shall serve as the final review committee under the Plan and shall have sole and complete discretionary authority to determine conclusively for all parties, and in accordance with the terms of the documents or instruments governing the Plan, any and all questions arising from administration of the Plan and interpretation of Plan provisions, determination of all questions relating to participation of eligible employees and eligibility for benefits, determination of all facts, the amount and type of benefits payable to any participant, and construction of all terms of the Plan. Decisions by the Retirement Board shall be conclusive and binding on all parties and not subject to further review.

If Your Claim Is for Disability Benefits

The following rules and timeframes (instead of those described above) apply if your claim for disability benefits is denied. (See [page 11 if you were hired before January 1, 2003](#) and [page 19 if you were hired on or after January 1, 2003.](#))

In the event of a claim by you for disability benefits under the Pension Plan, you must present the reason for the claim in writing to the Long-Term Disability Committee. Within 45 days after the receipt of the written claim (unless an extension of time is agreed to by the parties because of special circumstances, but in no event more than two 30-day extensions), the Long-Term Disability Committee will send written notification to you as to its disposition. In the event the claim is wholly or partially denied, the written notification will:

- State the specific reason or reasons for the denial,
- Make specific reference to pertinent Plan provisions on which the denial is based,
- Provide a description of any additional material or information necessary for you or your beneficiary to perfect the claim and an explanation of why the material or information is necessary,
- Set forth the procedure by which you may appeal the denial of the claim,
- Include a statement that you have the right to obtain, upon request and free of charge, a copy of internal rules or guidelines relied upon in making this determination, and
- Include a statement of your right to bring an action under Section 502(a) of ERISA.

In the event you wish to appeal the denial of the claim, you may request a review of the denial by making application in writing to the Long-Term Disability Committee within 180 days after receipt of the denial. You or your duly authorized representative may, upon written request to the Long-Term Disability Committee, review any documents pertinent to the claim, and submit in writing issues and comments in support of your position. Within 45 days after receipt of the written appeal (unless an extension of time is agreed to by the parties, but in no event more than one 45-day extension), the Long-Term Disability Committee will notify you of its final decision with specific references to the pertinent Plan provisions on which the decision is based.

If the initial adverse decision was based in whole or in part on a medical judgment, the Long-Term Disability Committee will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment, who was not consulted in the initial adverse benefit determination and who is not a subordinate of the health care professional who was consulted in the initial adverse benefit determination.

As a Plan participant, you may have further rights under ERISA. (See *Your Rights Under ERISA*, below).

Additional Plan Information

Assistance with Your Questions

If you have any questions about your plan, you should contact the Employee Service Center. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

Non-Transferability of Benefits

Generally, you may not transfer your interest in the Plan. This limitation means you may not sell it, use it as collateral, or give it away. Also, in most cases, your benefits under this Plan are not subject to attachment or garnishment by your creditors or those of your beneficiary. However, the Plan will honor Qualified Domestic Relations Orders (QDRO) relating to provisions for child support, alimony payments or marital rights. You must notify the Plan Administrator if you have a Qualified Domestic Relations Order. You may obtain, without charge, a copy of the Plan's procedures governing Qualified Domestic Relations Orders determinations from the Plan Administrator.

Maximum Benefits

Internal Revenue Service (IRS) regulations impose certain limitations on the amount of benefits that may be paid under qualified retirement plans. These limitations normally apply only to the highest-paid employees. The limitations are subject to periodic change by the IRS. Specific information about this is available from the Employee Service Center.

Amendment

While the Company expects to continue the plan indefinitely, the Company reserves the right by action of its Board of Directors or its delegates to amend, in whole or in part, any or all of the provisions of the Plan, subject to the provisions of ERISA and the Company's outstanding collective bargaining obligations.

However, no modification or amendment may permit the use of Plan assets for any purposes other than the payment of Plan benefits and Plan expenses prior to the satisfaction of all Plan liabilities. In addition, unless required by law or necessary to obtain IRS approval of the Plan, no amendment may retroactively take away a benefit that you have accrued to the date of the amendment.

Termination

The Company has also reserved the right through its Board of Directors or its delegates to terminate the Plan at any time, subject to the provisions of ERISA and the Company's outstanding collective bargaining obligations. If the Plan is terminated, benefit accruals will cease and participants will become fully vested in the benefit they have earned up to the date of termination, to the extent the benefit is funded or insured by the Pension Benefit Guaranty Corporation (PBGC), as explained below. Upon Plan termination,

- If there is enough money in the Plan to provide retirement benefits earned to the date of termination, Plan assets would be used to pay expenses and buy annuities, payable at retirement, for each participant. Small benefits would be cashed out in a lump sum. Any assets remaining after all benefit liabilities have been satisfied will revert to the Company.

- If the assets are not sufficient to provide these annuities and lump sums, plan money would be used, as provided by law, to pay expenses and to provide for the benefit of retired and terminated vested participants and other participants, in that order. If the assets are not sufficient to provide all these benefits, the Pension Benefit Guaranty Corporation (PBGC) takes over, as explained next.

Pension Benefit Guaranty Corporation

Your pension benefits under this plan are insured by the Pension Benefit Guaranty Corporation (PBGC), a federal insurance agency. If the plan terminates (ends) without enough money to pay all benefits, the PBGC will step in to pay pension benefits. Most people receive all of the pension benefits they would have received under their plan, but some people may lose certain benefits.

The PBGC guarantee generally covers: (1) Normal and early retirement benefits; (2) disability benefits if you become disabled before the plan terminates; and (3) certain benefits for your survivors.

The PBGC guarantee generally does not cover: (1) Benefits greater than the maximum guaranteed amount set by law for the year in which the plan terminates; (2) some or all of benefit increases and new benefits based on plan provisions that have been in place for fewer than 5 years at the time the plan terminates; (3) benefits that are not vested because you have not worked long enough for the Company; (4) benefits for which you have not met all of the requirements at the time the plan terminates; (5) certain early retirement payments (such as supplemental benefits that stop when you become eligible for Social Security) that result in an early retirement monthly benefit greater than your monthly benefit at the plan's Normal Retirement Age; and (6) non-pension benefits, such as health insurance, life insurance, certain death benefits, vacation pay, and severance pay.

Even if certain of your benefits are not guaranteed, you still may receive some of those benefits from the PBGC depending on how much money your plan has and on how much the PBGC collects from employers.

For more information about the PBGC and the benefits it guarantees, ask your Plan Administrator or contact the PBGC's Technical Assistance Division, 1200 K Street N.W., Suite 930, Washington, D.C. 20005-4026 or call 202-326-4000 (not a toll-free number). TTY/TDD users may call the federal relay service toll-free at 1-800-877-8339 and ask to be connected to 202-326-4000. Additional information about the PBGC's pension insurance program is available through the PBGC's Web site on the Internet at <http://www.pbgc.gov>.

Plan Document

This booklet only summarizes the main features of the Plan. The official Plan text and trust agreements govern the Plan's actual operation and payment of all benefits. Copies of these documents, together with the annual report filed with the U.S. Department of Labor, are available for review by any Plan member or beneficiary. Plan members can get copies of these documents for 25¢ a page or the actual cost of copying, if less. They may be seen or requested from the Employee Service Center at 1-800-546-5705 or VoiceNet 770-5705.

Plan Administration

Plan Identification

Employer Identification No. 59-2147112
Plan No. 004

Type of Plan

For employees first hired before January 1, 2003, the Plan is a defined benefit final average pay plan. For employees first hired January 1, 2003 or later, the Plan is a defined benefit cash balance plan.

Plan Sponsor

Florida Progress Corporation
299 First Avenue North
PEF 153
St. Petersburg, Florida 33701
Telephone: (727) 820-5151

Plan Administrator

The Retirement Plan is administered by the Retirement Board, which is appointed by resolution of the Board of Directors of Florida Progress Corporation. The Retirement Board has the discretionary authority, in its sole judgment, to interpret all the terms of the Plan, determine eligibility and entitlement to Plan benefits and decide all disputed claims in accordance with the terms of the Plan. The Retirement Board is responsible for the day-to-day operation of the Plan and ensures that it applies fairly and equitably to all members.

Retirement Board
Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation
Progress Energy, Inc.
Raleigh, NC 27601
1-800-546-5705

Effective Date of Plan

The Employees' Retirement Plan of Florida Progress Corporation ("prior Plan") was established in 1944. It was amended over the years and on January 1, 1998 was split into two plans. The continuation of the prior Plan was renamed the Retirement Plan for Exempt and Nonexempt Employees of Florida Progress Corporation. The new plan covers participants subject to a collective bargaining agreement and is named the Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation ("Retirement Plan" or "Plan").

The Plan operates on a calendar year basis (January 1 through December 31) for recordkeeping purposes.

Plan Agent for Service of Legal Process

Vice President, Human Resources
Progress Energy, Inc.
Raleigh, NC 27601
1-800-546-5705

NOTE: The Plan Administrator and the Plan Trustee are also agents for service of legal process.

Plan Trust Fund and Plan Trustee

The participating companies pay the entire cost of financing retirement benefits under the Plan. Employees do not contribute any money to the Plan. Contributions made to the Plan are held in trust for the benefit of participants and their beneficiaries, spouse or estates. All contribution to the Pension Trust Fund are actuarially determined and paid into a trust established exclusively for designated Plan purposes, including payment of certain administrative expenses.

The trust fund is held by the following Trustee, which has signed a trust agreement with the Company:

State Street Bank and Trust Company
One Enterprise Drive
North Quincy, MA 02171

Long-Term Disability Committee

The Long-Term Disability Committee is the Retirement Board of the Long-Term Disability Trust, the members of which are appointed by the President of Florida Power Corporation.

Fund Management and Investment

It is the responsibility of the Investment Committee (the Committee) to monitor the investment performance of the Trustee and Fund Managers. The Committee establishes an investment policy and oversees financial, actuarial and other investment services.

Your Rights Under ERISA

As a participant in the Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all plan participants shall be entitled to:

Receive Information About Your Plan and Benefits

- Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites and union halls, all documents governing the Plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Pension and Welfare Benefit Administration.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The administrator may make a reasonable charge for the copies.
- Receive a summary of the plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.
- Obtain a statement telling you whether you have a right to receive a pension at Normal Retirement Age (age 65) and if so, what your benefits would be at Normal Retirement Age if you stop working under the Plan now. If you do not have a right to a pension, the statement will tell you how many more years you have to work to get a right to a pension. This statement must be requested in writing and is not required to be given more than once every twelve (12) months. The plan must provide the statement free of charge.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries. No one, including your employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a pension benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a pension benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents or the latest annual report from the plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal court. In addition, if you disagree with the plan's decision or lack thereof concerning the qualified status of a domestic relations order or a medical child support order, you may file suit in Federal court.

If it should happen that plan fiduciaries misuse the plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.