

Document title:

# **Progress Energy Pension Plan**

Document number:

## **HRI-SUBS-00018**

Applies to: Progress Energy Carolinas, Inc., Progress Energy Florida, Inc. (non-bargaining), Progress Energy Ventures, Inc., Progress Fuels Corporation (corporate employees), Progress Energy Service Company, LLC

Keywords: human resources information; benefits booklets; SPD

---

Progress Energy Pension Plan (as amended and restated effective January 1, 2007)  
Progress Energy, Inc.  
Summary Plan Description  
Employer Identification No. 56-2155481; Plan No. 001

The Progress Energy Pension Plan is a defined benefit pension plan sponsored by Progress Energy, Inc. for the benefit of its eligible non-bargaining employees. A trust to fund Plan benefits is maintained by State Street Bank and Trust Company, N.A., One Enterprise Drive, North Quincy, MA 02171. All contributions made by the company to the Plan are paid into the trust exclusively for designated Plan purposes.

This booklet is a Summary Plan Description (SPD) for the Plan and replaces all prior descriptions of the Plan. It is intended to be an easy-to-understand explanation of your benefits. It does not include all Plan provisions, especially those relating to situations that are unlikely to occur or that could affect only a few participants. The official Plan documents contain the full Plan details. If a description in this booklet or any oral representation differs from the Plan documents, the Plan documents in effect at the time of your termination will govern.

Participation in the Pension Plan is not an offer or guarantee of employment and does not create an employment contract with any employee.

Progress Energy, Inc. reserves the right to modify, suspend, amend or terminate this Plan at any time for any reason in its sole discretion.

### ***Reference Forms***

*FRM-SUBS-00161*, *Beneficiary Designation Form*

**How To Use This Booklet**

This booklet describes the Plan benefits you may be eligible to receive when you leave the controlled group of Progress Energy companies. It starts with the Progress Energy Pension Plan – At a Glance and Plan Highlights, giving an overview of the Plan. The sections that follow are the details of the Plan—from how you join the Plan to how you receive a Plan benefit. You will find definitions for the terms used throughout this booklet in the [Glossary of Terms](#). Please read this booklet carefully so that you understand how the Plan can work for you.

In this booklet, “the company” or “Progress Energy” means Progress Energy, Inc. and participating companies. The “Plan,” the “Pension Plan” or the “Progress Energy Plan” means the Progress Energy Pension Plan. The “NCNG Plan” means the North Carolina Natural Gas Corporation Employees’ Pension Plan, which was merged into the Carolina Power & Light (CP&L) Plan effective December 31, 1999. The “Florida Progress Retirement Plan” or the “Florida Progress Plan” means the Retirement Plan for Exempt and Nonexempt Employees of Florida Progress Corporation which, for non-bargaining employees, was merged into the Progress Energy Pension Plan on December 31, 2001.

If you have additional questions about the Pension Plan, or you would like a copy of the Plan document or any of the documents listed under [Administrative Information](#), you may contact the Progress Energy Employee Service Center (ESC):

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

or write to:

**Vice President—Human Resources**  
**Progress Energy, Inc.**  
**P.O. Box 1551**  
**Raleigh, North Carolina 27602**  
**Telephone: 800-546-5705**

If you need to forward any documents or forms to the Employee Service Center, please use the following mailing address:

**Employee Service Center**  
**Progress Energy, Inc.**  
**P. O. Box 1551**  
**PEB 16 ESC**  
**Raleigh, North Carolina 27602-1551**

<u><a href="#">Progress Energy Pension Plan – At a Glance</a></u> .....	6
 <b><u>Plan Highlights</u></b>	
<u><a href="#">Background</a></u> .....	7
<u><a href="#">Benefits</a></u> .....	7
<u><a href="#">Benefits Accrued Under Prior Plans</a></u> .....	7
<u><a href="#">Plan Costs</a></u> .....	7
 <b><u>Eligibility and Participation</u></b>	
<u><a href="#">Who Is Eligible</a></u> .....	8
<u><a href="#">Enrollment and Participation</a></u> .....	8
<u><a href="#">Participation Under Special Circumstances</a></u> .....	8
 <b><u>Vesting</u></b>	
<u><a href="#">What It Means to be Vested</a></u> .....	10
<u><a href="#">Vesting Service</a></u> .....	10
<u><a href="#">Becoming Vested</a></u> .....	10
<u><a href="#">When Vesting Service Ends</a></u> .....	10
 <b><u>Your Cash Balance Account</u></b>	
<u><a href="#">Background</a></u> .....	11
<u><a href="#">Pay Credits</a></u> .....	11
<u><a href="#">Additional Pay Credits</a></u> .....	12
<u><a href="#">Interest Credits</a></u> .....	12
<u><a href="#">Putting It All Together</a></u> .....	13
 <b><u>Receiving Your Cash Balance Benefit</u></b>	
<u><a href="#">When You Terminate Employment or Retire</a></u> .....	15
<u><a href="#">Calculating Your Benefit</a></u> .....	15
<u><a href="#">Minimum Benefit</a></u> .....	16
<u><a href="#">Normal Forms of Payment</a></u> .....	16
<u><a href="#">Optional Forms of Payment</a></u> .....	17
<u><a href="#">In the Event of Your Death</a></u> .....	18

<b><u>Naming Beneficiaries</u></b>	
<b><u>Beneficiary Designation Forms</u></b> .....	19
<b><u>Whom You May Name as a Beneficiary</u></b> .....	19
<b><u>Beneficiary Guidelines</u></b> .....	19
<b><u>Beneficiary Defaults</u></b> .....	19
<b><u>When You Must Complete a Beneficiary Designation Form</u></b> .....	19
<b><u>Starting Your Pension</u></b>	
<b><u>Background</u></b> .....	20
<b><u>Choosing a Benefit Commencement Date</u></b> .....	20
<b><u>Choosing a Payment Option</u></b> .....	20
<b><u>Beneficiary Designation</u></b> .....	20
<b><u>Spousal Consent</u></b> .....	20
<b><u>Payment Schedule</u></b> .....	20
<b><u>Taxation of Pension Benefits</u></b> .....	21
<b><u>Special Benefit Rules</u></b>	
<b><u>Maximum Limitations</u></b> .....	22
<b><u>Minimum Payments</u></b> .....	22
<b><u>Top-Heavy Rules</u></b> .....	22
<b><u>Qualified Domestic Relations Orders (QDROs)</u></b> .....	22
<b><u>Administrative Information</u></b>	
<b><u>Plan Name</u></b> .....	23
<b><u>Effective Date of Plan, Plan Records, Plan Year and Type of Plan</u></b> .....	23
<b><u>Plan Sponsor, Employer and Plan Identification Numbers</u></b> .....	23
<b><u>Named Fiduciaries</u></b> .....	23
<b><u>Plan Administrator</u></b> .....	23
<b><u>Plan Documents</u></b> .....	23
<b><u>Pension Benefit Guaranty Corporation</u></b> .....	24
<b><u>Pension Trust Fund and Plan Trustee</u></b> .....	25
<b><u>Source of Payments</u></b> .....	25
<b><u>Unclaimed Benefits</u></b> .....	25
<b><u>Agent for Legal Service</u></b> .....	25
<b><u>Non-Assignment of Benefits</u></b> .....	25
<b><u>Amendment, Merger and Termination</u></b> .....	25

[Claim and Appeal Procedures](#)

[Claims Procedure](#) ..... 27

[Appeal Procedure](#) ..... 27

[Submitting an Appeal](#) ..... 28

[Your Rights Under ERISA](#) ..... 29

[Glossary of Terms](#) ..... 31

[Appendix A: Special Transition Provisions for Prior Plan Participants](#) ..... 34

[Appendix B: Alternative and Additional Benefits Under prior Retirement Plans](#) ..... 41

[Appendix C: Voluntary Enhanced Retirement Program \(2005\)](#) ..... 59

[Appendix D: Opening Account Balance Conversion Factors](#) ..... 65

<b>Progress Energy Pension Plan – At a Glance</b>	
What does it do for me?	<p>Your cash balance account in the Pension Plan provides:</p> <ul style="list-style-type: none"> <li>▪ A company-paid portion of your retirement income (in addition to Social Security, 401(k) Plan savings and company match allocations, your personal savings and other personal investments).</li> <li>▪ A portable retirement benefit—If you leave the controlled group of Progress Energy companies after you are vested in your cash balance benefit, you may take the benefit with you, roll it over into an IRA or roll it over into another employer’s qualified plan that accepts rollovers.</li> <li>▪ A retirement benefit whose growth you can track through the <i>Planning for a Good Life</i> web site and in annual statements.</li> </ul>
When am I eligible?	<ul style="list-style-type: none"> <li>▪ On the first day after you complete one year of service if you are a regular, full-time employee, scheduled to work 40 hours per week.</li> <li>▪ On the day after you complete 12 months of service, if you are a part-time or temporary employee and complete 1,000 hours of service during those 12 months.</li> <li>▪ On the January 1 following the year in which you complete 1,000 hours of service if you are a part-time or temporary employee and do not complete 1,000 hours of service in your first 12 months of employment.</li> </ul>
How do I enroll?	<ul style="list-style-type: none"> <li>▪ Enrollment is automatic once you become eligible.</li> <li>▪ You should complete a beneficiary designation form if you are single or if you are married and your spouse provides written notarized consent to your naming a different beneficiary under this Plan.</li> </ul>
What does it cost me?	<ul style="list-style-type: none"> <li>▪ You pay nothing. The company pays the full cost of your participation in the Plan.</li> </ul>
What about my prior pension plan?	<p>Certain former participants in the CP&amp;L, NCNG and Florida Progress pension plans may be eligible for:</p> <ul style="list-style-type: none"> <li>▪ Vesting credit for prior service under those plans.</li> <li>▪ Transition credits to their cash balance accounts.</li> <li>▪ “Frozen” benefits based on pay and service through the date that the plans merged, in addition to cash balance account benefits (certain former NCNG and Florida Progress participants only).</li> <li>▪ Alternative benefit formulas that may produce a higher value than the cash balance amount (certain former CP&amp;L plan participants only).</li> </ul> <p>If you were a participant in any of these prior plans when they were amended to include cash balance accounts, detailed descriptions of additional or alternative pension benefits and/or transition credits that you may be eligible to receive have been prepared as Appendices to this SPD. See <i>Appendix A – Special Transition Provisions for Prior Plan Participants</i> and <i>Appendix B – Alternative and Additional Benefits Under Prior Retirement Plans</i></p>
Where can I learn more about planning for retirement, pension benefits and retiree medical benefits?	<ul style="list-style-type: none"> <li>▪ Log on to <i>Planning for a Good Life</i> at <a href="http://www.total-rewards.com">www.total-rewards.com</a> “Retirement Planning”</li> <li>▪ Summary Plan Description (Medical for Non-Bargaining employees)</li> <li>▪ Contact the Employee Service Center [ESC] at: <ul style="list-style-type: none"> <li>– 1-800-546-5705</li> <li>– VoiceNet 770-5705</li> <li>– Email: <a href="mailto:employee.servicecenter@pgnmail.com">employee.servicecenter@pgnmail.com</a></li> </ul> </li> </ul>

## Background

The Pension Plan is designed to provide retirement benefits to eligible Plan participants. The Plan was amended and restated as of January 1, 1999, to become a “cash balance” defined benefit plan. It was amended again on January 1, 2001, to be renamed the Progress Energy Supplemental Retirement Plan (from the CP&L Supplemental Retirement Plan), and on January 1, 2002, to be renamed the Progress Energy Pension Plan.

The Plan was amended to merge the NCNG Plan into the CP&L Plan, effective December 31, 1999. NCNG was a participating employer from January 1, 2000 to September 30, 2003. On December 31, 2001, the Plan was amended to merge the Retirement Plan for Exempt and Nonexempt Employees of Florida Progress Corporation into the Plan and on January 1, 2002, to add Florida Progress Corporation companies, including Florida Power Corp. (non-bargaining employees) and Progress Fuels Corp. (corporate employees). Progress Telecom Corp. was added as a participating employer from January 1, 2002 to December 19, 2003. Progress Ventures, Inc. was also added as a participating employer on January 1, 2002.

## Benefits

Under the Progress Energy Pension Plan, a cash balance account is set up for you (for recordkeeping purposes). Each year you participate, your cash balance account grows through:

- **Pay Credits**—A dollar amount based on your eligible annual base pay earnings.
- **Interest Credits**—Based on your account balance at the beginning of the Plan year.
- **Transition Credits**—For eligible participants of prior plans (see *Appendix A* for details).

## Benefits Accrued Under Prior Plans

If you were an active participant in the CP&L Supplemental Retirement Plan with an earned (accrued) Plan benefit on December 31, 1998, your earned benefit was converted to your opening account balance in the Pension Plan as soon as you completed one hour of service on or after January 1, 1999.

If you were a participant in the NCNG or the Florida Progress Plans when they merged into the CP&L/Progress Energy Plan, your earned benefit under the prior plan was calculated and “frozen” as of the date of the plan merger. This means that if you are vested when you terminate employment from the controlled group of Progress Energy companies, you will receive a benefit from the prior plan. In addition, your cash balance account under the Progress Energy Pension Plan will begin to grow as soon as you meet the eligibility requirements described in [Eligibility and Participation](#).

In addition, the Plan will add transition credits on an annual basis to the accounts of employees who were participants of the CP&L Plan, NCNG Plan and the Florida Progress Plan when the plans were amended to include cash balance accounts, provided these employees also meet certain other eligibility criteria.

Also, retirement benefits under prior plans may have been enhanced for certain employees who were eligible to retire under the Voluntary Enhanced Retirement Program between June 1 and December 1, 2005.

For more information, see [Appendix A: Special Transition Provisions for Prior Plan Participants](#); [Appendix B: Alternative and Additional Benefits Under Prior Retirement Plans](#), and [Appendix C: Voluntary Enhanced Retirement Program \(2005\)](#).

## Plan Costs

Benefits under the Pension Plan are funded by participating companies. There is no cost to you.

## **Who is Eligible**

Generally, if you work for a participating Progress Energy company in a non-bargaining position, you are eligible to participate:

- On the first day after you complete one year of service, if you are a regular, full-time employee, scheduled to work 40 hours per week.
- On the day after you complete 12 months of service, if you are a part-time or temporary employee and you complete 1,000 hours of service during those 12 months.
- On the first day of the Plan year (January 1) following the Plan year in which you complete 1,000 hours of service, if you are a part-time or temporary employee and you don't complete 1,000 hours of service during your first 12 months of employment.

Leased employees, contract employees, independent contractors and all classifications other than regular full-time employees, or part-time or temporary employees, are not eligible to participate in the Pension Plan.

Special provisions may apply for participants of prior plans; see [Appendix A: Special Transition Provisions for Prior Plan Participants](#); [Appendix B: Alternative and Additional Benefits Under Prior Retirement Plans](#), and [Appendix C: Voluntary Enhanced Retirement Program \(2005\)](#).

*Participating Progress Energy companies as of January 1, 2007 include employees of: PT Holding Company, LLC, Progress Energy Carolinas, Inc., Progress Energy Florida, Inc. (non-bargaining employees); Progress Energy Ventures, Inc., Progress Fuels Corporation (corporate employees), Progress Energy Service Company, LLC.*

## **Enrollment and Participation**

Your participation in the Plan begins automatically when you meet the eligibility requirements. You do not have to enroll.

Generally, your participation ends if you leave the company or one of its controlled group of companies (unless you are on an approved leave of absence) and are not eligible for a benefit. For example, you are not eligible for a benefit if you have worked less than five years (which means you are not vested) when you leave the controlled group of Progress Energy companies. Your participation also ends if you leave the controlled group of Progress Energy companies, are eligible for a benefit, and receive it in full.

If you have vesting service on or after January 1, 2008, you will be fully vested after three years of vesting service.

## **Participation Under Special Circumstances**

### ***During Periods of Disability***

If you receive benefits under Progress Energy's short-term or long-term disability plans and you were employed by a participating company immediately before becoming disabled, you will continue to be treated as an active employee for all Pension Plan purposes. Your Pension Plan benefits during your long-term disability absence will be based on your monthly base pay immediately before the absence. Your benefits during a short-term disability absence will be based on the actual pay you receive during your absence.

### ***If You Transfer Between Controlled Group Companies***

When 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 you will not receive pay credits (or transition credits, if applicable). If you later transfer to a participating company with no other break in service, you will

immediately be eligible to earn pay credits, but not transition credits, if you had previously met the Plan's eligibility requirements. (If you are receiving transition credits and transfer to Progress Energy Florida as a bargaining unit employee and later transfer directly back to a participating company, you may be eligible to receive pay credits and transition credits.)

***If You Terminate and Are Rehired***

If you terminate employment from the controlled group of Progress Energy companies, are rehired by a participating company and were previously vested, you will be reinstated in the Plan immediately. If you left before you were vested, you may have to meet the eligibility requirements again, depending on how long you worked before leaving and how long you were gone, as described below. Please note that if your prior service included temporary and/or part-time service, other provisions may apply and you should contact the Employee Service Center for further details.

<b>Participation After Rehire</b>	
<b>If You:</b>	<b>Then:</b>
<ul style="list-style-type: none"> <li>▪ Were vested when you were previously employed by Progress Energy by an affiliated subsidiary</li> </ul>	<ul style="list-style-type: none"> <li>▪ You will be reinstated as a member of the Plan immediately.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Were not vested at the time your employment terminated, but are rehired within five years of your termination date</li> </ul>	<ul style="list-style-type: none"> <li>▪ You may be reinstated immediately, subject to applicable Plan provisions.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Were not vested at the time your employment terminated, and have been gone longer than five years</li> </ul>	<ul style="list-style-type: none"> <li>▪ You must meet the Plan's eligibility requirements again. Prior service and accrued benefits will be forfeited.</li> </ul>

Your future benefit accrual in the Plan upon returning to work for a participating company depends 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 had an established cash balance account, your account balance will be restored and credited with interest at the guaranteed rate(s) for the period you were gone, subject to the Rehire rules above. Otherwise, a cash balance account will be set up for you.

***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 participant upon your return. If you are receiving annuity payments, those payments may be affected by your rehire (contact your HR Representative or the Employee Service Center for more information).

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

- Your account will receive pay credits and interest credits (but not transition credits, even if you received them during your previous period of employment).
- You will receive credit for vesting service earned before your absence if you were vested when you left or were reinstated immediately upon your return.

**What It Means to be Vested**

When you are vested, you have a non-forfeitable right to your pension benefit. If you terminate employment from the controlled group of Progress Energy companies after you are vested, you will be entitled to a pension benefit. In addition, vesting service is a key factor in determining when you may participate in the Plan after an absence. ([See If You Terminate and Are Rehired, above.](#))

**Vesting Service**

Vesting service is service that counts toward vesting. Vesting 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.

In most cases, service with non-participating companies before they become part of the controlled group of Progress Energy companies does not count toward vesting service.

**Becoming Vested**

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

- The date you complete five years of vesting service, 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).

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

**When Vesting Service Ends**

Vesting service generally ends on the earlier of the following dates:

- The date your employment terminates from the controlled group of Progress Energy companies because you retire, resign, are discharged or die, or
- The first anniversary of the date you are absent from employment for other reasons, including vacation, illness or injury, layoff or leave of absence.

All periods of absence, regardless of length, count as vesting service if:

- You were receiving benefits under the company’s short-term or long-term disability plans during the absence, or
- You were absent because of military service and your reemployment rights were protected by law.

In addition, there are two special rules that may increase your vesting service. If you are absent from employment for any reason and return to work within 12 months, the period of absence will count as vesting service. If you are absent from employment for more than 12 months due to an approved leave, that period of absence will also count as vesting service.

**Background**

Under the Progress Energy Pension Plan, a cash balance account will be set up for you once you meet the eligibility requirements. You will accrue cash balance account credits from year to year until you terminate or retire.

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

- **Pay credits**
- **Interest credits**

If you were a participant in the CP&L, NCNG or Florida Progress plans when they were amended to include cash balance accounts, or you retired between June 1 and December 1, 2005 under the provisions of the Voluntary Enhanced Retirement Program, you may be eligible for an additional or alternative pension benefit and/or transition credits. (For details, refer to [Appendix A: Special Transition Provisions for Prior Plan Participants](#), [Appendix B: Alternative and Additional Benefits Under Prior Retirement Plan](#) and/or [Appendix C: Voluntary Enhanced Retirement Program \(2005\)](#).)

Generally, when you become eligible for a cash balance account, whether as a new hire or as the result of a merger or if you are a rehire with vesting service that was earned prior to 12/31/1998, you have an opening account balance of \$0.

**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 earnings** for the year (and pay supplements available solely to certified nuclear reactor trainers and operators) before any benefit or tax deductions are made, other than before-tax deductions for Choice Time and a portion of deferrals elected under the Management Deferred Compensation Plan. Commissions, awards, incentives, overtime, shift differentials and other “above” base pay earnings are not considered eligible pay for pension purposes.) In addition, federal regulations under Internal Revenue Code Section 401(a)(17) currently limit the amount of annual base pay earnings used in computing the amount of benefits payable under the Plan. (The limit is \$245,000 for 2009 and is increased periodically.)
- **Your pay credit percentage** as determined by your age at the **beginning** of each plan year, January 1.

<b>Cash Balance Account Pay Credits</b>	
<b>Age at Beginning of Calendar Year</b>	<b>Pay Credit Percentage</b>
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%

<b>Pay Credit Formula</b>
Annual base pay earnings × pay credit percentage = pay credit amount

If you are a new hire, pay credits are counted from your date of hire or, if later, on the first day of the 12-month period in which you meet the Plan's eligibility requirements. If you terminate employment from the controlled group of Progress Energy companies, final pay credits will be added to your account based on the portion of the year that you worked.

*Example*

Joe is age 45 on January 1, 2009, and his annual base pay earnings for 2009 are \$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:

<b>Pay Credit Example</b>		
Annual Base Pay	Pay Credit Percentage	Pay Credit Amount
\$50,000	x 5.00%	= \$2,500

**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 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 combined Progress Energy 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 earnings you receive in excess of 80% of the Social Security Wage Base.

*Example*

Sally is age 51 on January 1, 2009, and her annual base pay earnings for 2009 are \$90,000. Based on her age, Sally's pay credit percentage equals 6%. In 2009, Sally would receive an additional pay credit on the amount of her pay over \$85,440 (80% of the Social Security Wage Base of \$106,800).

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

(For purposes of this example, the 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:

<b>Interest Credit Formula</b>
Balance as of January 1 × interest credit rate

**AUTHORIZED COPY**  
***Your Cash Balance Account***

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

<i>Cash Balance Account Interest Credit Rate Schedules</i>		
<b>Years</b>	<b>Interest Rate</b>	<b>Ends</b>
1999 – 2001	7.5% (1999) 6.0% (2000-2001)	12/31/2001
2002 – 2004	6.0%	12/31/2004
2005 – 2007	5.0%	12/31/2007
2008	5.5%	12/31/2008
2009	5.5%	12/31/2009

Interest credits will be applied to your cash balance account until your Benefit Commencement Date, even if you leave the controlled group of Progress Energy companies. If you leave and defer receipt of your cash balance account benefit, interest will continue to be credited according to the interest rate schedule in effect when you terminate. When that schedule ends, interest will be credited to your cash balance account at the rate of 4.0% until your Benefit Commencement Date.

- Example #1: if you left the company during 2007 and deferred receipt of your cash balance account until 2009, interest will be credited to your account at the rate of 5.0% through 12/31/2007 and then 4.0% until your Benefit Commencement Date in 2009.
- Example #2: if you leave the company in 2009 and your Benefit Commencement Date will be sometime in 2010, interest will be credited to your account at the rate of 5.5% through 12/31/2009 and then 4.0% until your Benefit Commencement Date in 2010.

If you transfer among the controlled group of Progress Energy companies, special rules apply. (See [\*If You Transfer Between Controlled Group Companies\*](#), above.)

*Example*

Suppose Jim’s beginning cash balance account balance on 1/1/2009 is \$70,500. In this case, the interest credit added to his cash balance account for 2009 would be determined as follows:

<b>Interest Credit Example</b>		
<b>Account Balance January 1, 2009</b>	<b>Interest Credit Percentage for 2009</b>	<b>Interest Credit Applied December 31, 2009</b>
\$70,500	x 5.5%	= \$3,878

**Putting It All Together**

The following example illustrates how a cash balance account could grow over time for a new Plan participant receiving annual pay credits and interest credits only.

*Example*

Patricia is a new Plan participant beginning January 1, 2007. Her annual base pay in 2007 was \$45,000. Assuming a 3% increase in her annual base pay each year, her total cash balance account for 2007 through 2009 would be determined as follows:

**AUTHORIZED COPY**  
*Your Cash Balance Account*

---

<b>Cash Balance Account Accumulations Example</b>					
<b>Age</b>	<b>Annual Base Pay*</b>	<b>January 1 Balance</b>	<b>Pay Credit</b>	<b>Interest Credit</b>	<b>December 31 Balance</b>
35	\$45,000	\$ 0	\$1,350	\$ 0	\$1,350
36	\$46,350	\$1,350	\$1,391	\$ 74	\$2,815
37	\$47,741	\$2,815	\$1,432	\$155	\$4,402

*\*Assumes a 3% annual salary increase.*

(For purposes of illustration, the figures shown in this example have been rounded to whole numbers as appropriate.)

## **When You Terminate Employment or Retire**

If you are vested when you terminate or retire from the controlled group of Progress Energy companies, 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. *In all situations, if you have not started collecting your pension benefit, your Required Minimum Distribution must begin no later than the April 1 following the year in which you reach age 70½.*

### ***Automatic Payment***

Generally, your pension benefit will be paid in a single lump sum taxable distribution shortly after your termination if you terminate employment with the controlled group of Progress Energy companies after you are vested, and the value of your cash balance 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 from the controlled group of Progress Energy companies, 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 be available after you reach age 55.
- ***If you are vested and age 55 or older*** when you terminate employment from the controlled group of Progress Energy companies, you may elect to begin receiving your benefit at any time after your termination.

### ***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, you will have deferred receipt of your pension benefit. You may begin to receive your benefit on the first day of any month after you reach age 55.

If you defer payment, you will not receive additional pay credits to your cash balance account or transition credits after your termination date. Your account will continue to receive interest credits, however, according to the interest credit rate schedule in effect on your termination date. Any subsequent plan amendments will not apply to your account. (See [Interest Credits](#).)

### ***Additional or Alternative Pension Payments***

Please refer to *Appendix A*, *Appendix B* and/or *Appendix C* for further details of these payments, including the 2005 Voluntary Enhanced Retirement Program.

## **Calculating Your Benefit**

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, marital status and account value at the time you choose to receive payment, as shown below. Benefits of \$1,000 or less will generally be paid in a single lump-sum taxable distribution.

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, if the amount of the monthly annuity equals at least \$100.)

### ***Commencement of Benefits at Normal Retirement Age***

Converting your cash balance into a Single Life Annuity that begins at your normal retirement age requires two steps.

**AUTHORIZED COPY**  
***Receiving Your Cash Balance Benefit***

**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 Plan's current interest rate schedule is shown on page [13] above.

**Step 2:** Divide your projected account balance at your normal retirement age by an annuity conversion factor based on your normal retirement age. This will be the monthly Single Life Annuity that will be payable commencing at your normal retirement age unless you elect another starting date or other form of payment.

***Immediate Commencement of Benefits – Example***

The chart below illustrates the annuity payments you would receive depending on age if your cash balance account was vested and equaled \$100,000 at termination and you elect to commence benefits immediately following termination of employment. For purposes of this example, the numbers have been rounded to whole dollars.

<b>Illustration: Monthly Annuities Based on \$100,000 Current Account Balance*</b>	
<b>Current Age</b>	<b>Immediate Commencement</b>
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.

**Minimum Benefit**

In no event will a Single Life Annuity beginning at normal retirement age be less than \$300 per month.\*

\*This minimum benefit provision does *not* apply to rehired participants who have already received a prior distribution, or to participants who are eligible to receive pension benefits based on their prior participation in the NCNG or Florida Progress plans.

**Normal Forms of Payment**

*50% Joint and Survivor Annuity*

*If you are married*, the normal form of payment is the 50% Joint and Survivor Annuity 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 Annuity benefit, you may do so by obtaining your spouse's written, notarized consent.

*Single Life Annuity*

*If you are single*, the normal form of payment is a Single Life Annuity. You may also choose from among the optional forms of payment below (other than the Joint and Survivor annuity options).

The following is an explanation of the pension payment options available for your cash balance benefit under the Plan. If you are also eligible for an alternative or additional payment under a prior formula, your payment options for that portion of your benefit are described in [Appendix B](#), or [Appendix C](#) if you retired under the provisions of the Voluntary Enhanced Retirement Program in 2005.

---

**Optional Forms of Payment**

In addition to the normal forms of payment, the following optional forms are available under the Plan:

***Lump Sum***

The total value of your cash balance account is paid in a single lump-sum cash payment. You may roll over the lump sum into an Individual Retirement Account (IRA) or into an eligible employer plan that accepts rollovers and thereby avoid immediate taxation. Before you receive a lump-sum payment, the Plan Administrator will provide you with complete information about rollovers of lump-sum payments and the special tax rules that apply to them. If you receive a lump sum before age 55 and do not roll it over, it may be subject to a 10% penalty tax in addition to income taxes. If your cash balance benefit is paid to you 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 paid as a Single Life Annuity if you are single or as a 50% Joint and Survivor Annuity if you are married. Under this option, the final annuity payment will be made the first of the month following your, or, if applicable, your spouse's death.

***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 as soon thereafter as administratively practicable.

***50% Joint and Survivor Annuity with Refund Feature***

Under this option, your monthly benefit is reduced by 5%. If your spouse survives you, one-half of your monthly benefit would continue to your spouse for life. If there remains any unpaid value of your account following the final annuity payment after both you and your spouse die, a single lump sum will be paid to the estate of the last survivor. The final payment under this option will be made the first of the month following the later of your death or the death of your spouse, as soon thereafter as administratively practicable.

***75% Joint and Survivor Annuity with Life Reversion***

Under this option, your monthly benefit is actuarially reduced to reflect the cost of continuing payments to your spouse in the amount of 75% of the benefit you were receiving at the time of your death. In the event that your spouse dies before you, your payments will be increased to the amount you would have received under the Single Life Annuity option on the first of the month following the Employee Service Center's receipt of notification of your spouse's death, or as soon as administratively practicable. The final payment under this option will be made the first of the month following the later of your death or the death of your spouse.

***100% Joint and Survivor Annuity with Life Reversion***

Under this option, your monthly benefit is actuarially reduced to reflect the cost of continuing payments at the same level to your spouse. In the event that you predecease your spouse, your spouse will receive the same monthly benefit you were receiving for life. If your spouse dies before you, however, your payments will be increased to the amount you would have received under the Single Life Annuity option on the first of the month following the Employee Service Center's receipt of notification of your spouse's death, or as soon as administratively practicable. The final payment under this option will be made the first of the month following the later of your death or the death of your spouse.

## **In the Event of Your Death**

### ***Before Payments Have Begun***

If you are vested and die 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 Progress Energy Pension Plan.

In the event that your beneficiary dies before the benefit commencement date, a lump sum will be paid to his or her estate as soon as administratively practicable.

### ***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 and transition credits (if applicable) 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 up to the Benefit Commencement Date.

Your beneficiary, whether a spouse or non-spouse, may elect a rollover of any lump sum distribution to an 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 would 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.

For information about death benefits for the additional benefits under the CP&L, NCNG and Florida Progress Plans, see [Appendix B](#).

### ***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.

**Beneficiary Designation Forms**

Beneficiary designation forms are available on the Progress Energy Intranet or from the Employee Service Center (ESC).

**Whom You May Name as a Beneficiary**

Your beneficiary may be a person, trust, estate or other legal entity named by you to receive payment of benefits provided under the Plan in the event of your death. The naming of beneficiaries is subject to the rules described below and may be subject to applicable federal and state law.

Beneficiary designations for “frozen” benefits under the NCNG and Florida Progress plans are governed by the terms of those plans.

**Beneficiary Guidelines**

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

- **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.

If you are also eligible for benefits under the NCNG or Florida Progress Plans, you may elect different beneficiaries for each Plan’s benefit. If you are married, you will need your spouse’s written, notarized consent to elect a beneficiary other than your spouse under either Plan.

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.

<b>Marital Status</b>	<b>If You Don’t Name a Beneficiary</b>
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 ESC 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 ESC. The ESC 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.

---

## **Background**

To start receiving your benefits, you must terminate employment from the controlled group of Progress Energy companies. Following termination, the Employee Service Center will send you a benefit election package. To complete the required election forms, you must confirm your benefit commencement date, declare your marital status, elect a benefit payment option and, in some cases, name a beneficiary. If you are married and decide to elect any option other than the 50%, 75% or 100% Joint & Survivor Annuity under this plan, your spouse must provide written, notarized consent to the election. *The Employee Service Center will provide you with payment requirements under the Carolina Power & Light, NCNG or Florida Progress Corporation Plan.*

You may change any election (subject to spousal consent), but the ESC must receive the new election before your benefit commencement date. You may not change any election or beneficiary after your benefit commencement date.

## **Choosing a Benefit Commencement Date**

After you have terminated or retired from the controlled group of Progress Energy companies, the ESC will send you a benefit election package. Your benefit election package will include pension benefit estimates for the various payment options. Your Benefit election package will be based on the first available election date, generally within 30 days but not longer than 90 days from your termination. However, if both you and your spouse consent, you may waive the minimum 30-day election period.

In order to begin your pension on the date indicated, the ESC generally must receive your properly completed election forms along with required documentation by your benefit commencement date.

## **Choosing a Payment Option**

When you choose a payment option other than the normal form of payment (see [Normal Forms of Payment](#)), you may also have to provide a beneficiary designation and/or written, notarized spousal consent.

## **Beneficiary Designation**

If payments will continue to another person after your death, you may need to designate a beneficiary. (See [Background](#), above for more information.)

## **Spousal Consent**

If you are married on your benefit commencement date and you wish to elect a *payment option* other than the normal form of payment for married participants or select someone other than your spouse for the survivor benefit, your spouse must consent to the payment option you choose and the designation of a non-spousal beneficiary, if applicable. Before your spouse provides consent, it's important for your spouse to understand what it means to waive his or her right to the 50% Joint and Survivor Annuity.

Your spouse's consent must be in writing and be notarized. Your spouse's consent is irrevocable for the specific election to which it applies. If you change your mind one or more times during the election period, your spouse's written, notarized consent will be required each time. Once payments have begun, you cannot change your choice for any reason, including a change in your marital status.

## **Payment Schedule**

You will be asked to specify the date you would like payments to begin. Assuming that your paperwork is received in a timely manner and in good order, your monthly pension payments will begin on or about the first day of the month following your commencement date. For example, with a benefit commencement date of August 1, your first payment will be on or about September 1 to cover your benefit for the month of August. You may elect to receive a check or to have your monthly payment electronically deposited into your checking or savings account.

---

If the ESC does not receive your pension payment election forms before the benefit commencement date, your pension may be deferred and you may be required to complete revised pension election forms.

**Taxation of Pension Benefits**

Pension benefits are considered taxable income by the IRS. Any portion of your benefit that you receive as a lump-sum cash distribution is subject to mandatory 20% income tax withholding. If you reside in the state of North Carolina, a lump sum cash distribution is also subject to a mandatory 4% state income tax withholding. In addition, if you are under age 55 when you receive a lump-sum distribution, your benefit may be subject to a 10% tax penalty in addition to income taxes. Generally, you may defer taxes and avoid tax penalties if you roll over the lump sum directly into an IRA or another employer’s qualified plan that accepts rollovers. Pension benefits received as a monthly annuity may also be subject to normal federal (and in some cases, state) income taxes. Monthly annuities, regardless of your age, are not subject to a 10% tax penalty.

Before you receive benefit payments under the Plan, the ESC will provide you with a *Special Tax Notice Regarding Plan Payments*. This notice will include detailed information on the tax consequences of receiving pension benefits, as well as information about electing a rollover. Before making your decisions regarding your benefit commencement date and payment option, you may also want to consult with a tax professional.

---

**Maximum Limitations**

Federal regulations under Internal Revenue Code Section 415 limit the amount of benefits that can be paid to any individual from a qualified defined benefit plan (such as this Plan). These limitations normally affect only the higher-paid employees (or, in some cases, employees retiring at an early age) and are subject to periodic change by the IRS. If this limit should apply to you, you will be notified by the Plan Administrator.

In addition, federal regulations under Internal Revenue Code Section 401(a)(17) currently limit the amount of annual base pay earnings used in computing the amount of benefits payable under the Plan. (The limit is \$245,000 for 2009 and is increased periodically.)

**Minimum Payments**

In pension plans such as this Plan that allow a complete or partial lump-sum payment option, federal law prescribes minimum payment levels. For this purpose, your benefit under the Plan will not be less than the present value of your accrued pension at normal retirement age using actuarial assumptions that are specified in the Plan and that change annually. Where benefits are paid as a partial lump sum, any increase in benefit levels needed to comply with the minimum payment rules will be applied to increase annuity payments. If benefits are payable solely as a lump sum, any required adjustment will increase the lump-sum amount.

**Top-Heavy Rules**

A top-heavy plan is a plan that provides more than 60% of its benefits to key employees. Both “top-heavy” and “key employees” are terms defined in the Internal Revenue Code. If the Plan should ever become top heavy, you will be informed and the Plan will be modified as prescribed by law. For example, the Plan might provide increased benefit accruals.

**Qualified Domestic Relations Orders (QDROs)**

A qualified domestic relations order (QDRO) is a court order in a divorce, legal separation or similar proceeding that requires part or all of a participant’s vested pension amount to be paid to meet a settlement agreement, alimony, child or dependent support payments. All correspondence and questions concerning QDRO's should be directed to the Employee Service Center, Progress Energy, P. O. Box 1551, Raleigh, NC 27602-1551, telephone 1-800-546-5705.

**Plan Name**

The official Plan Name is the Progress Energy Pension Plan.

**Effective Date of Plan, Plan Records, Plan Year and Type of Plan**

The Progress Energy Pension Plan was first established on September 1, 1944, by the company for the benefit of its employees, and has been amended from time to time. The Plan operates and maintains records on a calendar-year basis—beginning January 1 and ending December 31. The Plan is defined benefit pension plan for payment of pensions.

**Plan Sponsor, Employer and Plan Identification Numbers**

Progress Energy, Inc. is the Plan Sponsor of the Progress Energy Pension Plan. The Employer Identification Number (EIN) of Progress Energy, Inc. is 56-2155481. The Plan Number is 001. The Plan Sponsor’s mailing address and telephone number is:

**Progress Energy, Inc.**  
**P.O. Box 1551**  
**Raleigh, NC 27602**  
**1-800-546-5705**

**Named Fiduciaries**

The named fiduciaries of the Plan are the Board of Directors, the Chief Executive Officer of the company, the Retirement Board, the Investment Committee, the Trustee and all Investment Managers.

**Plan Administrator**

The company administers the Plan through Progress Energy Service Company, LLC and the Retirement Board. The Board of Directors of Progress Energy, Inc. has appointed the Retirement Board to administer the provisions of the Plan, including the granting and denial of claims for pension benefits. (See [Claims Procedures](#).) The Plan Administrator’s address is:

**Progress Energy Service Company, LLC**  
**P.O. Box 1551, PEB 16 ESC**  
**Raleigh, NC 27602**  
**1-800-546-5705**

The Plan Administrator has the duty and the discretionary authority to interpret the terms of the Plan and to decide any dispute that may arise regarding the rights of any individual under the Plan. This includes the discretionary authority to make determinations as to eligibility for participation and benefits under the Plan. Any interpretation or decision by the Plan Administrator shall apply uniformly to all persons similarly situated and shall be binding and conclusive upon all interested persons. Any interpretation or decision of the Plan Administrator shall be set aside only if the Plan Administrator is found to have acted arbitrarily and capriciously in interpreting or construing the terms of the Plan.

**Plan Documents**

This summary plan description summarizes the key features of the Plan. You can find complete information in the official Plan documents that legally govern the operation of the Plan. All statements made in this summary plan description are subject to the provisions and terms of these documents, and, in the event of any inconsistency, the Plan documents shall govern. Official Plan documents include the annual report and other documents and reports maintained by the Plan or filed with a federal government agency.

Plan participants and beneficiaries of deceased participants can review copies of the Plan documents any time during normal business hours at the Employee Service Center. If you are unable to examine these documents there, you should write to the Retirement Board at the address above, specifying the documents you wish to review and at which company work location. Copies of the requested documents will be made available for examination within ten days after your request is received. You or the beneficiary of a deceased participant can also request copies of any Plan documents in writing. Copies will be furnished within 30 days at a nominal charge, unless federal law requires that they be furnished without charge.

### **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 the 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 five 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 benefits are not guaranteed, you still may receive some of those benefits from the PBGC depending on how much money the Plan has and 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, NW, Suite 930, Washington, DC 20005-4026, or call 1-202-326-4000 (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 1-202-326-4000. 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>.

## **Pension 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, spouses or estates. All contributions 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, N.A.**  
**One Enterprise Drive**  
**North Quincy, MA 02171**

## **Source of Payments**

The Plan Trustee pays pension payments from the trust. The trust is also used to pay reasonable administration expenses of the Plan and the trust.

## **Unclaimed Benefits**

Any unclaimed benefits will remain in the Pension Trust Fund and may be used to offset future company contributions to that Trust Fund. For example, if you stop working for the controlled group of Progress Energy companies before becoming vested, you will not be eligible for a pension. The funds that were set aside for your benefit become unclaimed benefits.

## **Agent for Legal Service**

You can direct any service of legal process related to the Plan to:

**Vice President—Human Resources**  
**Progress Energy, Inc.**  
**P.O. Box 1551**  
**Raleigh, NC 27602**  
**1-800-546-5705**

Legal process also may be served upon any officer of the company, the Plan Trustee, State Street Bank and Trust Company, or the Plan Administrator.

## **Non-Assignment of Benefits**

You or your beneficiary cannot assign or transfer amounts payable under the Plan. Similarly, amounts payable to you under the Plan may not be used to directly pay debts or obligations of any nature, except that the Plan is required to comply with IRS tax levies and with court-issued qualified domestic relations orders (see [\*Qualified Domestic Relations Order\*](#)).

## **Amendment, Merger and Termination**

While Progress Energy, Inc. intends to continue the Plan indefinitely, Progress Energy, Inc., by action of its Board of Directors (or its delegate), reserves the right to modify, suspend, amend or terminate the Plan at any time and for any reason in its sole discretion.

***Amendment***

The company may amend or modify the Plan at any time in its sole discretion. The amendments or changes may take effect at some point in the future or retroactively to a point in the past. However, changes cannot make Plan funds available for anything other than paying Plan benefits to participants who are entitled to them. In addition, amendments may not decrease the benefits already accrued (earned) by any participant.

***Merger, Consolidation or Transfer***

If the Plan is merged or consolidated with, or its assets transferred to, another pension plan, your accrued benefits will be protected. The merger, consolidation or transfer will be permitted only if you would be entitled to receive a benefit equal to or greater than the benefit you were entitled to under the Plan before the merger, consolidation or transfer.

***Termination***

If the Plan is terminated, you could still have rights to future benefit payments, but you would not earn any further pension rights or accruals under this Plan, regardless of whether you continue employment within Progress Energy. You may also have certain rights to benefits insured by the Pension Benefit Guaranty Corporation. (See [Pension Benefit Guaranty Corporation.](#))

## **Claims Procedure**

Employees, former employees with vested pension benefits, their beneficiaries, or any individual duly authorized by them have the right under ERISA, as amended, 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 Employee Service Center at:

- 1-800-546-5705
- VoiceNet 770-5705
- [employee.servicecenter@pgnmail.com](mailto:employee.servicecenter@pgnmail.com)

If your request for payment through the Employee Service Center is denied, you should file a written request with the Secretary of the Retirement Board. Send your written claim for pension payments to Secretary, Retirement Board, 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, 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.

### **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 Documents](#)); 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 company 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.

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

As a participant in the Progress Energy Pension Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974, as amended (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 work sites, all documents governing the Plan, including insurance contracts 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 copies of the latest annual report (Form 5500 Series) and an updated summary plan description. The Plan 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. Beginning in 2009, the Plan Administrator will be required by law to furnish each participant with a copy of the Annual Funding Notice.
- Obtain a statement telling you whether you have a right to receive a pension at normal retirement age 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 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 that 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 a 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 to be frivolous.

**Assistance with Your Questions**

If you have 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 Pension and Welfare Benefits Administration, U.S. Department of Labor listed in your telephone directory or the Division of Technical Assistance and Inquiries, Pension and Welfare Benefits Administration, U.S. Department of Labor, 200 Constitution Avenue, NW, Washington, DC 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Pension and Welfare Benefits Administration.

**Accrued Benefit**—See “Earned Benefit.”

**Active Participant**—An active participant is one who has met Plan eligibility requirements, is currently eligible to accrue benefits and benefit service, and who is eligible to receive payment from the Plan at some point in the future.

**Additional Pay Credits**—Additional pay credits are made if annual base pay earnings exceed 80% of the Social Security Wage Base for a particular year. Additional pay credits equal annual base pay earnings minus 80% of the Social Security Wage Base multiplied by the applicable pay credit percentage.

**Annual Base Pay Earnings (or Compensation)**---Annual base pay earnings are the regular base salary or wages (and pay supplements available solely to certified nuclear reactor trainers and operators) that you earn from the participating company before any deductions (except for Choice Time deferrals and a portion of deferrals under the Management Deferred Compensation Plan) are made. Annual base pay earnings do not include awards, incentives, overtime, shift differentials and other “above” base pay earnings.

**Annuity**—A monthly retirement benefit payable for as long as you live. Under some payment options, the monthly benefit continues to your surviving spouse after your death.

**Average Final Compensation (also known as Final Average Pay)**—Average final compensation for the CP&L Supplemental Retirement Plan is based on the highest average monthly compensation of a consecutive 60-month compensation period in the last 120 months of benefit service prior to your termination of employment or January 1, 2004, if earlier. If your benefit service prior to your termination of employment or January 1, 2004, is less than five years, compensation is your average monthly compensation prior to your termination of employment or January 1, 2004, if earlier.

**Beneficiary**—A person, trust, estate or other legal entity named by you to receive payment of benefits provided under the Plan in the event of your death. Alternate payees under a qualified domestic relations order as defined by Internal Revenue Code 414(p) are allowable Plan beneficiaries to the extent allowable by such a qualified domestic relations order.

**Benefit Commencement Date**—The effective date that your accrued benefit becomes payable to you or your surviving spouse or beneficiary as an annuity or lump sum payment. The payment date is the first day of the month following your benefit commencement date.

**Benefit Service**—A period of employment with a participating company that is recognized as service for determining your eligibility for your cash balance pay and transition credits (if applicable), the amount of your cash balance pay and transition credits (if applicable) and your benefit under the final average pay formula (if applicable).

**Cash Balance Account**—A hypothetical account to which your opening account balance (if applicable), pay credits, transition credits (if applicable) and interest credits are applied, and that is used to determine your accrued benefit.

**Company**—For Plan purposes, the company includes Progress Energy, Inc., and any affiliated companies that adopt the Plan (see [Who Is Eligible](#)).

**Controlled Group of Progress Energy Companies**—For Plan purposes, this includes the participating and nonparticipating companies as defined in the summary plan description.

**Defined Benefit Plan**—Under a defined benefit plan, there is a definite formula by which a participant’s benefits are measured. Employer contributions are determined actuarially. Assets are not allocated to individuals, as is done in defined contribution plans.

**Earned Benefit**—The amount of the benefit beginning at normal retirement age that you have earned under the Plan, which is, if applicable, the greater of your cash balance pension or final average pay formula (see below). For certain eligible NCNG, FPC non-bargaining, Progress Fuels Corp. (corporate employees), Progress Telecom Corp. and Progress Ventures, Inc. employees, the earned benefit is the amount of your prior plan benefit and your benefit under this Plan.

**Final Average Pay Formula**—Applicable only to eligible participants in the Progress Energy Plan on or before December 31, 1998, this benefit formula bases benefits on your highest 60 months of base pay earnings over the final 120-month period of your employment. (See [Benefits Under Final Average Pay Formula, Appendix B.](#))

**“Frozen” Benefit**—The amount payable under a prior plan formula as of the day before cash balance accounts were established for prior plan participants.

**Hour of Service**—An hour for which you are paid, or are entitled to payment, for the performance of services for the company, including vacation, sick time and other paid leaves of absence. An hour of service does not include time for which you receive unemployment compensation, Workers’ Compensation or disability payments.

**Inactive Participant**—An inactive participant is one who has met Plan eligibility requirements, is no longer eligible to accrue benefits and benefit service, but who is eligible to receive payment from the Plan at some point in the future or is currently receiving payment.

**Interest Credits**—The interest applied each year to your cash balance account, according to the interest credit rate schedule, shown on page [13] in the *Your Cash Balance Account* section above.

**Nonparticipating Company**—Any company that is more than 80% owned (directly or indirectly) by Progress Energy, Inc., or any other company that must be considered a nonparticipating company by law, that does not offer this Plan to its employees.

**Normal Retirement Age**—Under the Plan, your normal retirement age is the later of (1) the day you reach age 65, or (2) the fifth anniversary of the date you first became a participant of the Plan, provided you are employed on that date. As of January 1, 2008, this will change to the later of (1) the day you reach age 65, or (2) the third anniversary of the date you first became a participant of the Plan, provided you are employed on that date.

**Normal Retirement Date**—The earliest date on which you qualify for normal retirement under the Plan. Your normal retirement date is the first of the month following the month in which you reach normal retirement age.

**Normal Retirement Pension**—This refers to the payment option paid to you on your normal retirement date in the absence of an election. If you are single, your normal retirement pension is a Single Life Annuity payable at age 65. If you are married, your normal retirement pension is the 50% Joint and Survivor Annuity payable at age 65.

**Opening Account Balance**—The opening account balance for participants active in the CP&L Plan on December 31, 1998 who were credited with at least one Hour of Service on or after January 1, 1999 represents the conversion of their earned benefits under the final average pay formula as of December 31, 1998, into a lump-sum value.

**Participant**—See “Active Participant” and “Inactive Participant.”

**Participating Employer**—The Progress Energy, Inc. companies that participate in the *Total Rewards* benefits program, including: PT Holding Company, LLC, Progress Energy Carolinas, Inc., Progress Energy Florida, Inc. (non-bargaining employees), Progress Energy Ventures, Inc., Progress Fuels Corporation (corporate employees), and Progress Energy Service Company, LLC.

**Pay Credits**—The amount allocated to your cash balance account each year by the Plan under the cash balance formula. This amount is determined by your age as of the beginning of each calendar year and your eligible base pay earnings for the full year.

**Pension Benefit Guaranty Corporation (PBGC)**—The federal agency, established as a corporation, charged with administering the plan termination provisions of Title IV and the Multi-employer Pension Plan Amendments Act of 1980. Employers pay premiums to the PBGC, which guarantees benefits up to a specified maximum for participants and beneficiaries when defined benefit plans terminate.

**Pension Trust**—A fund consisting of money contributed by the company plus earnings to provide pension benefits.

**Plan Administrator**—Progress Energy Service Company, LLC is the Plan Administrator and administers the Plan through the Retirement Board. The Plan Administrator’s responsibilities include:

- Acting solely in the interest of Plan participants and beneficiaries, and for the exclusive purpose of providing benefits and defraying reasonable administrative expenses.
- Managing the Plan’s assets to minimize the risk of large losses.
- Acting in accordance with the documents governing the Plan.

**Plan Document**—A definite written Plan maintained by an employer for the benefit of employees or beneficiaries that is intended to be on-going and that is communicated to employees. The Plan Document sets forth the benefits available under the Plan and the eligibility requirements.

**Plan Sponsor**—Progress Energy, Inc. is the Plan Sponsor, and thereby has established, and maintains, the Plan.

**Social Security Wage Base**—The Social Security Wage Base is set by the federal government each year. It is the maximum amount of earnings on which both you and the company pay Social Security taxes.

**Spouse**—The person to whom you are legally married to on the date you commence your pension benefit, or if you have not yet commenced payment, on the date of your death. Once you are in receipt of your pension benefit, you cannot name a new spouse as a beneficiary for pension purposes.

**Summary Plan Description (SPD)**—A written statement of a plan in an easy-to-read form, including a statement of eligibility, coverage, employee rights and appeal procedures. It is provided to employees and beneficiaries of the Plan.

**Transition Credits**—The amount credited to cash balance accounts for certain prior plan participants.

**Vesting**—This term refers to your right to the benefits you earn under the Plan. Generally, you become vested upon completing five years of vesting service, including service with other companies within the controlled group of Progress Energy companies. If you leave the controlled group of Progress Energy companies before you are vested, your benefit will be forfeited.

If you have vesting service on or after January 1, 2008, you will be fully vested after three years of vesting service.

**Vesting Service**—A period of employment with the company or a nonparticipating company that is recognized as service for determining entitlement to benefits and/or vesting. (See full explanation under [Vesting Service](#).)

*Appendix A: Special Transition Provisions for Prior Plan Participants*

**Appendix A: Special Transition Provisions for Prior Plan Participants**

This section describes certain transition provisions for certain prior plan participants. If you retired under the Voluntary Enhanced Retirement Program between June 1 and December 1, 2005, please refer to [Appendix C](#) for an explanation of how your transition credits under the Program were determined.

**Prior CP&L Plan Participants**

***Eligibility***

If you were an active CP&L Plan participant on December 31, 1998, your earned benefit under the final average pay formula was converted to your opening account balance in the Pension Plan as soon as you completed one hour of service on or after January 1, 1999.

If you left CP&L or one of its controlled group of companies before January 1, 1999, and return after January 1, 1999, a cash balance account will be set up for you upon your return. If you did not receive either a lump-sum distribution or monthly payments from the Plan before you were re-employed, your new cash balance account will receive an opening account balance based on your earned (vested) benefit as of December 31, 1998 (payable at age 65).

***Calculating Your Opening Account Balance***

Your opening account balance in the Pension Plan was calculated as follows:

<b>Opening Account Balances for Former CP&amp;L Plan Participants</b>		
Opening account balances were calculated using two factors:		
<ul style="list-style-type: none"> <li>▪ Your earned benefit under the Plan as of December 31, 1998 (payable at age 65), and</li> <li>▪ A conversion factor.</li> </ul>		
Your conversion factor reflects your age (rounded down to the nearest month) as of the date the account was established. (See <a href="#">Appendix D</a> for a complete table of conversion factors.)		
<b><i>Calculating Your Opening Account Balance</i></b>		
<i>Example</i>		
Assume Joe was age 45 on January 1, 1999, and his annual earned benefit under the Plan (payable at age 65) as of December 31, 1998, was \$10,000. In this case, Joe’s opening account balance was determined as follows:		
<b>Annual Earned Benefit as of December 31, 1998 (Payable at Age 65)</b>	<b>Conversion Factor</b>	<b>Opening Account Balance</b>
\$10,000	x 7.05	= \$70,500
<i>Please Note: The examples shown in this summary plan description are for illustration purposes only. Your pension and cash balance benefits will reflect your personal situation.</i>		

***Transition Credits***

If you were an active participant in the CP&L Plan on December 31, 1998, you will receive transition credits to your account annually until December 31, 2008, as long as you remain continuously employed by a participating company within the controlled group of Progress Energy companies.

Transition credits for a calendar year will be added to your account on the December 31 of each year, or, if earlier, the date you leave a participating company, pro-rated for the portion of the year you worked.

***Appendix A: Special Transition Provisions for Prior Plan Participants***

The formula for your transition credit for any calendar year is:

<b>CP&amp;L Transition Credit Formula</b>
Base pay earnings × transition credit percentage

The transition credit percentage is based on your years of benefit service at the beginning of that calendar year as shown on the chart below. For full-time employees, benefit service includes all of your employment with a participating company from date of hire. For part-time and temporary employees, benefit service begins on the first day of the period in which you meet the Plan eligibility requirements. You do not earn benefit service in this Plan for periods of employment with a nonparticipating company.

<b>CP&amp;L Plan Transition Credit Amounts</b>	
<b>Completed Years of Benefit Service as of January 1, 1999</b>	<b>Transition Credit Percentage</b>
1–4	2.50%
5–9	3.25%
10–14	4.00%
15 or more	5.00%

*CP&L Employee Transition Credit Example*

Assume John has completed 20 years of benefit service on January 1, 1999, and that his annual base pay earned in 1999 equals \$45,400. In this case, the transition credit applied to John’s cash balance account on December 31, 1999, would be determined as follows: \$45,400 x 5%=\$2,270.

Here is how transition credits would be calculated for John through the end of 2008 assuming that he receives 3% pay increases each year. This chart is for illustration purposes only. Credits and balances will be based on actual base pay earnings, age and interest credit in effect.

<b>Illustration: CP&amp;L Transition Credits</b>						
<b>Age</b>	<b>Annual Base Pay</b>	<b>January 1 Balance</b>	<b>Pay Credit</b>	<b>Transition Credit</b>	<b>Interest Credit</b>	<b>December 31 Balance</b>
50	\$45,400	\$84,120	\$2,724 (6%)	\$2,270 (5%)	\$6,309 (7.5%)	\$95,423 (1999)
51	\$46,762	\$ 95,423	\$2,806 (6%)	\$2,338 (5%)	\$5,725 (6.0%)	\$106,292 (2000)
52	\$48,165	\$106,292	\$2,890 (6%)	\$2,408 (5%)	\$6,378 (6.0%)	\$117,968 (2001)
53	\$49,610	\$117,968	\$2,977 (6%)	\$2,480 (5%)	\$7,078 (6.0%)	\$130,503 (2002)
54	\$51,098	\$130,503	\$3,066 (6%)	\$2,555 (5%)	\$7,830 (6.0%)	\$143,954 (2003)
55	\$52,631	\$143,954	\$3,684 (7%)	\$2,632 (5%)	\$8,637 (6.0%)	\$158,907 (2004)
56	\$54,210	\$158,907	\$3,795 (7%)	\$2,711 (5%)	\$7,945 (5.0%)	\$173,357 (2005)
57	\$55,836	\$173,357	\$3,909 (7%)	\$2,792 (5%)	\$8,668 (5.0%)	\$188,726 (2006)
58	\$57,511	\$188,726	\$4,026 (7%)	\$2,876 (5%)	\$9,436 (5.0%)	\$205,063 (2007)
59	\$59,237	\$205,063	\$4,146 (7%)	\$2,962 (5%)	\$11,278 (5.5%)	\$223,450 (2008)

***When Transition Credits End***

Generally, you are eligible for transition credits for up to 10 years, or until December 31, 2008, as long as you remain employed by a participating company within the controlled group of Progress Energy companies. Transition credits will not be applied to your account if you terminate employment or transfer to a non-participating company, or transfer to a bargaining unit within a participating company.

***Appendix A: Special Transition Provisions for Prior Plan Participants***

If you are re-employed with or transfer back to a participating company, transition credits will generally not resume.

**Prior NCNG Plan Participants**

***Eligibility***

If you were an active participant in the NCNG Plan on December 31, 1999, your participation in the Pension Plan began January 1, 2000, provided you met the eligibility requirements. Your past service with NCNG counts for determining your eligibility in the Plan. Under the NCNG Plan, you received credit for a year of service for any Plan Year you worked 1,000 hours or more.

**Transition Credits**

If you were an active participant in the NCNG Employees’ Pension Plan on December 31, 1999, the Plan will allocate transition credits to your account every year (beginning in 2000) that you remain employed by a participating Progress Energy company, through the year you reach age 65. Transition credits for a calendar year will be added to your account on the December 31 of each year, or, if earlier, the date you leave a participating company, pro-rated for the portion of the year you worked.

The NCNG transition credits are designed to provide combined Progress Energy and NCNG benefits at a normal retirement date that approximate the amount an NCNG employee would have received had the NCNG Plan remained in effect until he or she reached age 65.

See [Appendix B](#) for information about your NCNG “frozen” benefit.

Although the “frozen” NCNG benefit plus the cash balance account formula under the NCNG Pension Plan ensure that your overall pension benefit will increase with every month of additional credited service, there is no assurance that this “combined” benefit will equal or exceed the benefit that would have been generated by the NCNG plan formula (had it not been suspended) at any and every future point in time.

<b>NCNG Transition Credit Formula</b>
Annual base pay earnings × transition credit percentage

Your transition credit percentage for calendar years 2000-2006 was based on your age as of January 1, 2000, and your age at the beginning of the calendar year, as shown in the chart below. Effective January 1, 2007, transition credits percentages are the same as those provided to former participants in the Florida Progress Plan (see [Florida Progress Plan Transition Credit Amounts](#)).

***Appendix A: Special Transition Provisions for Prior Plan Participants***

<b>NCNG Transition Credit Amounts 2000-2006*</b>				
<b>Attained age at beginning of year of credit</b>	<b>Transition Credit Percentage</b>			
	<b>Participants under age 35 on 1/1/2000</b>	<b>Participants ages 35-44 on 1/1/2000</b>	<b>Participants ages 45-54 on 1/1/2000</b>	<b>Participants ages 55-65 on 1/1/2000</b>
Under 29	.5%			
29-33	1.0%			
34-38	1.5%	2.5%		
39-43	2.0%	3.5%		
44-48	2.5%	4.5%	6.0%	
49-53	3.0%	5.5%	8.0%	
54	3.5%	6.5%	11.0%	9.5%
55	3.5%	6.5%	11.0%	10.5%
56	3.5%	6.5%	11.0%	11.5%
57	3.5%	6.5%	11.0%	12.5%
58	3.5%	6.5%	11.0%	13.5%
59	4.0%	7.5%	13.5%	14.5%
60	4.0%	7.5%	13.5%	15.5%
61	4.0%	7.5%	13.5%	16.5%
62	4.0%	7.5%	13.5%	17.5%
63	4.0%	7.5%	13.5%	18.5%
64 up to age 65	4.0%	7.5%	13.5%	19.5%

\*Refer to [Florida Progress Plan Transition Credit Amounts](#) for transition credits applicable for years beginning 2007.

Transition credits are higher for people who were older on January 1, 2000, because they are generally closer to retirement and have less time for their cash balance account to grow. If you transfer to a non-bargaining position within the participating group of Progress Energy companies, you will continue to receive transition credits to your cash balance account in accordance with Plan rules.

***Example***

Mary is 49 on January 1, 2006. Her annual base earnings in 2006 equal \$40,000. In this case, the transition credit added to Mary's account on December 31, 2006, would be calculated as follows:

<b>NCNG Transition Credit Example</b>				
<b>Base Pay for 2006</b>		<b>Transition Credit Percentage</b>		<b>2006NCNG Transition Credit</b>
\$40,000	x	5.5%	=	\$2,200

On January 1, 2007, Mary is now 50. Her annual base earnings in 2007 equal \$41,200. Using the Florida Progress Plan Transition Credit Amounts table which is effective January 1, 2007, here is how Mary's transition credit for 2007 would be calculated:

<b>Florida Progress Plan Transition Credit Amounts [FPPTCA] Credit Example</b>				
<b>Base Pay for 2007</b>		<b>Transition Credit Percentage</b>		<b>2007 FPPTCA Transition Credit</b>
\$41,200	x	9.5%	=	\$3,914

The following table shows the pay, transition and interest credits that Mary's account would receive from 1/1/2006 through 12/31/2010. This example assumes that (a) Mary will receive a 3% pay increase each year, (b) her 1/1/2006 cash balance account value is \$10,000 and (c) that she remains employed by a participating company for the entire period of time shown in the example.

***Appendix A: Special Transition Provisions for Prior Plan Participants***

<b>Illustration: NCNG Transition Credits (Change to Florida Progress Plan Transition Credits Effective 1/1/2007)</b>						
<b>Age</b>	<b>Annual Base Pay</b>	<b>January 1 Balance</b>	<b>Pay Credit</b>	<b>Transition Credit</b>	<b>Interest Credit</b>	<b>December 31 Balance</b>
49	\$40,000	\$10,000	\$2,000 (5%)	\$2,200 (5.5%)	\$500 (5.0%)	\$14,700 (2006)
50	\$41,200	\$14,700	\$2,472 (6%)	\$3,914 (9.5%)	\$735 (5.0%)	\$21,821 (2007)
51	\$42,436	\$21,821	\$2,546 (6%)	\$4,031 (9.5%)	\$1,200 (5.5%)	\$29,599 (2008)
52	\$43,709	\$29,599	\$2,623 (6%)	\$4,152 (9.5%)	\$1,184 (4.0%)	\$37,558 (2009)
53	\$45,020	\$37,558	\$2,701 (6%)	\$4,277 (9.5%)	\$1,502 (4.0%)	\$46,038 (2010)

***When Transition Credits End***

As a prior NCNG participant, you are eligible for transition credits to be added to your account every year that you remain employed by a participating company, through the year you reach age 65. Transition credits will end if you terminate employment, transfer to a non-participating company, or transfer to a bargaining unit position within a participating company.

If you are re-employed with, or transfer back to, a participating company, transition credits will generally not resume.

***Vesting***

If you were a participant in the NCNG Plan on December 31, 1999, your vesting service includes your vesting service with NCNG before January 1, 2000, as well as your vesting service with CP&L/Progress Energy/NCNG on and after January 1, 2000. Your vesting service through 1999 will be calculated under NCNG Plan rules described below. Vesting service on and after January 1, 2000, will be calculated under the Progress Energy Plan rules.

Under the NCNG Plan, you earned one year of vesting service for each Plan Year (October 1 through September 30) in which you worked at least 1,000 hours of service. In general, an hour of service is any hour for which you were paid or were entitled to be paid. This includes paid vacation time and any time during an approved leave of absence or a military leave for which you had reemployment rights.

**Prior Florida Progress Plan Participants**

***Eligibility***

If you were an active participant in the Florida Progress Retirement Plan on December 31, 2001, your participation in the Pension Plan began January 1, 2002. Your past service with Florida Progress counts toward your eligibility for the Pension Plan. Under the Florida Progress Retirement Plan, you received credit for a year of service for any Plan year you worked 1,000 hours or more. You also received partial credit for the years that you were hired by the company or terminated employment, based on the portion of those years that you worked at a rate of 1,000 hours or more annually.

***Transition Credits***

Transition credits will be added to your account if you have been continuously employed by a participating company of Progress Energy since the date of the corporate merger, November 30, 2000. New hires (new plan participants) on or after November 30, 2000, are not eligible for transition credits. Eligible participants will receive transition credits until age 65, assuming continuous employment by a participating company.

Transition credits for a calendar year will be added to your account on December 31 of each year, or, if earlier, the date you leave a participating company, pro-rated for the portion of the year you worked.

***Appendix A: Special Transition Provisions for Prior Plan Participants***

<b>Florida Progress Plan Transition Credit Formula</b>
Base pay earnings × transition credit percentage

Transition credits help to produce a pension benefit under the merged plan (the “frozen” Florida Progress benefit plus the cash balance account value) that will approximate—and in the vast majority of cases will exceed—the pension you would have received if the Florida Progress Retirement Plan formula had remained in effect, assuming you worked until age 65 normal retirement.

See [Appendix B](#) for information about your “frozen” Florida Progress plan benefit.

Although the “frozen” Florida Progress benefit plus the cash balance account formula under the Progress Energy Pension Plan ensure that your overall pension benefit will increase with every month of additional credited service, there is no assurance that this “combined” benefit will equate to or exceed the benefit that would have been generated by the current Florida Progress Plan formula (had it not been suspended) at any future point in time.

Transition credits will be added to your account annually. The amount you receive will depend on your age as of the plan merger (January 1, 2002) and your age at the beginning of each plan year, as shown in the following chart.

<b>Florida Progress Plan Transition Credit Amounts*</b>						
<b>Age at Beginning of Year of Credit</b>	<b>Transition Credit Percentage</b>					
	<b>Age as of January 1, 2002</b>					
	<b>Under 30</b>	<b>30–39</b>	<b>40–54</b>		<b>55–64</b>	
Under 25	.25%					
25-29	1.00%					
30-34	1.75%	2.25%	Under 5 years of service*	5 or more years of service*	Under 5 Years of service*	5 or more years of service*
35-39	2.25%	3.25%				
40-44	2.75%	4.00%	3.25%	5.00%		
45-49	3.50%	5.75%	4.06%	6.25%		
50-54	4.50%	7.00%	6.18%	9.50%		
55-59	7.25%	8.75%	7.48%	11.50%	9.10%	14.00%
60-64	9.00%	12.25%	10.40%	16.00%	11.05%	17.00%

\*Also applicable for former participants in the prior NCNG Plan for years beginning 2007.

\*As of January 1, 2002, the date of the plan merger.

As you can see on the chart above, transition credits are greater for older employees who are closer to retirement age and may have less time than others for their cash balance account to grow. If you transfer to a non-bargaining position in another Progress Energy participating company, you will continue to receive transition credits to your cash balance account, based on the chart above.

***Example***

Assume this participant is 45 years old as of January 1, 2002, and has 18 years of combined Florida Progress and Progress Energy service.

***Appendix A: Special Transition Provisions for Prior Plan Participants***

The following illustration shows how the account could grow over time.

<b>Illustration: Florida Progress Plan Transition Credits</b>						
<b>Age</b>	<b>Annual Base Pay</b>	<b>January 1 Balance</b>	<b>Pay Credit</b>	<b>Transition Credit</b>	<b>Interest Credit</b>	<b>December 31 Balance</b>
45	\$52,000	0	\$2,600 (5%)	\$3,250 (6.25%)	0	\$ 5,850
46	\$53,560	\$ 5,850	\$2,678 (5%)	\$3,348 (6.25%)	\$351 (6%)	\$12,227
47	\$55,167	\$12,227	\$2,758 (5%)	\$3,448 (6.25%)	\$734 (6%)	\$19,167

***When Transition Credits End***

You are eligible for transition credits to your account every year that you remain employed by a participating company, through the year you reach age 65. Transition credits will end if you terminate employment, transfer to a non-participating company, or transfer to a bargaining unit position within a participating company.

If you are re-employed with, or transfer back to a participating company, transition credits will generally not resume.

Florida Power bargaining unit employees who transfer to a non-bargaining position within a participating company may also be eligible for transition credits if they have been continuously employed by a participating company since November 30, 2000.

***Vesting***

If you were a participant in the Florida Progress Plan on December 31, 2001, your vesting service includes your vesting service with Florida Progress and Progress Energy before January 1, 2002, as well as your service with Progress Energy/Florida Progress on and after January 1, 2002. Your vesting service through 2001 will be calculated under Florida Progress Plan rules described below. Service on and after January 1, 2002 will be calculated under the Progress Energy Plan rules described above.

Under the Florida Progress Plan, you earned a year of Continuous Service for every calendar year in which you worked 1,000 hours or more. When you earned five years of Continuous Service, you were 100% vested in your benefit under the Plan. Service with a company within the controlled group of Florida Progress Corporation companies may also count as Continuous Service under the Plan. You may contact the Employee Service Center (ESC) if you have questions about your service under the Florida Progress Plan.

***Appendix B: Alternative and Additional Benefits Under Prior Retirement Plans***

**Appendix B: Alternative and Additional Benefits Under Prior Retirement Plans**

You may be eligible for alternative or additional benefits under the Pension Plan or under a prior plan formula if you were a participant in:

- The CP&L Plan on December 31, 1998,
- The NCNG Plan on December 31, 1999 or
- The Florida Progress Plan on December 31, 2001.

*Note:* If you retired under the Voluntary Enhanced Retirement Program between June 1 and December 1, 2005, refer to [Appendix C](#) for an explanation of how your “frozen” early retirement or deferred vested benefit payment was determined for the purposes of that Program.

**CP&L Plan**

***Eligibility***

You are eligible to have a benefit calculated under the final average pay formula if:

- You were an active CP&L Plan participant on December 31, 1998, and had a cash balance account established for you, and
- You were an active Plan participant on January 1, 1999.

When you are eligible to receive a pension from the Plan, your benefit under the final average pay formula will be compared to the monthly annuity benefit that your cash balance account can provide. The company will pay the greater of the two amounts.

Here’s how it works:

To help ensure that participants closer to retirement would not be disadvantaged by the shift to a cash balance formula as of January 1, 1999, the company elected to continue the prior plan formula for an additional five years, through December 31, 2003, for those who were participants when the plan changed. (Participants hired on and after January 1, 1999, are eligible for the cash balance formula only.)

If you qualify for the final average pay formula when you terminate employment within Progress Energy, the pension you receive will be based on the higher of the following:

- ***The value of your cash balance account at termination***—Your opening account balance plus the pay, interest and transition credits you receive through your termination date from the controlled group of Progress Energy companies.
- ***The value of your benefit under the final average pay formula***—Including all your eligible pay and service since you began participating in the Plan, through the earlier of December 31, 2003, or your actual termination date from a participating company.

If you remained employed beyond December 31, 2003, your benefit under the final average pay formula was “frozen”. This means that your earned benefit under the final average pay formula will be based on pay and credited service through December 31, 2003, only and will not increase further. If you stopped earning benefit service at any time before December 31, 2003, your final average pay formula benefit was “frozen” as of that date.

***Appendix B: Alternative and Additional Benefits Under Prior Retirement Plans***

***Benefit Under Final Average Pay Formula***

The amount of your “frozen” pension benefit under the final average pay formula depends on:

- **Your years of benefit service through December 31, 2003**—As well as your years of projected benefit service if you retire early;
- **Your final average pay**—The average of your highest five consecutive years of base pay earnings during your last ten years (60 consecutive months within the last 120 months) of eligibility for this formula;
- **Your estimated Social Security benefit**—Your Social Security retirement income based on your Progress Energy base pay earnings projected back over your entire career; and
- **Your age when you begin payments**—Your normal retirement age is 65 (or the fifth\* anniversary of the date you became a participant in the Plan, if later). If you leave the controlled group of Progress Energy companies and choose to receive your pension benefit before age 65, your monthly payments will be reduced since you would receive them over a longer period of time. If you worked beyond age 70½, up until December 31, 2003, your payments were actuarially increased to reflect the delayed payment commencement date. After December 31, 2003, your benefit was the “frozen” amount and will not increase.

(\*As of January 1, 2008, your normal retirement age is the later of age 65 or the third anniversary of the date you became a participant in the Plan.)

The following provides an explanation of normal, early, late and deferred vested pensions.

***Normal Retirement Pension***

Your benefit under the final average pay formula will be based on (1) below. If you are also eligible for the formula under (2), you will receive the greatest of (1), (2) or the benefit available from your cash balance account.

1. 1.7% of your benefit service (to a maximum of 60%) multiplied by the final five-year (60-month) average base pay earnings; or, if greater, 60 consecutive months within the last 120 months prior to retirement, reduced by 1.43% for each year of benefit service (to a maximum of 50%) multiplied by the projected Social Security benefit at age 65.
- 2) If you were a Plan participant before January 1, 1981, you will receive the basic monthly benefit provided by the Plan in effect prior to January 1, 1981. The basic monthly benefit at normal retirement is determined as follows:
  - a) 1.7% of the first \$400 of your average monthly wage during your period of benefit service, plus 2.2% of such wage in excess of \$400, multiplied by the number of years (and 12ths thereof) of benefit service up to and including 25 years, plus
  - b) .7% of the first \$400 of your average monthly wage, plus 1.2% of such wage in excess of \$400, multiplied by the number of years (and 12ths thereof) of benefit service, if any, in excess of 25 years.

***Appendix B: Alternative and Additional Benefits Under Prior Retirement Plans***

*Calculation Example—Normal Retirement*

The following example illustrates the normal retirement benefit to you at age 65 under the Single Life Annuity option or the 50% Joint and Survivor Annuity option. (Remember, you receive the same amount under both options.)

<b>Illustration: CP&amp;L Normal Retirement Benefit Under Final Average Pay Formula</b>	
<b>Assumptions</b>	
Born.....	December 17, 1934
Employed.....	October 25, 1963
Retired at age 65.....	January 1, 2000
Years of benefit service at retirement.....	36 years, 2 months
Monthly salary rate on January 1, 2000.....	\$ 2,905
Estimated monthly Social Security benefit at age 65.....	\$ 974
Total actual earnings from January 1, 1997, to retirement..... (highest 60 consecutive months of earnings in last ten years of eligibility for final average pay formula)	\$159,301
<b>Calculation</b>	
(1) Average monthly salary for the last five years prior to retirement (\$159,301 ÷ 60).....	\$2,655.02
(2) Pension calculation: 1.7% x 36 years, 2 months of service (maximum 60%) (1.7% x 36.1667 = 61.48%).....	60%
(3) Gross monthly benefit (item 1 x item 2).....	\$1,593.01
(4) Social Security offset calculation: $\frac{50\% \times 36.1667 - \text{actual service}}{36.1667 - \text{potential service}} = (50\% \times 100\%)$ .....	50%
(5) Estimated primary monthly Social Security benefit at age 65.....	\$974.00
(6) Social Security benefit offset (item 4 x item 5).....	\$487.00
(7) Monthly net retirement benefit (item 3 – item 6).....	\$1,106.01

*Early Retirement Pension*

If you are age 55 or older and have completed at least 15 years of vesting service, you may begin receiving an early retirement pension immediately upon termination. Early retirement benefits are calculated in the same way as normal retirement benefits, except that they may be based on your age when payments begin and your vesting service as of your retirement date, as shown in the table below.

If you have 35 years of eligibility service, you may retire before age 55 and immediately receive the same percentage (75%) of your benefit that you would have received if you started payments at age 55.

***Appendix B: Alternative and Additional Benefits Under Prior Retirement Plans***

*Early Retirement Factors*

<b>Early Retirement Factors</b>		
<b>Age When Payments Begin</b>	<b>Percentage of Accrued Benefit With 15 to 19 Years of Vesting Service at Retirement</b>	<b>Percentage of Accrued Benefit With 20 or More Years of Vesting Service at Retirement</b>
55	75.0	75.0
56	77.5	77.5
57	80.0	80.0
58	82.5	82.5
59	85.0	85.0
60	87.5	87.5
61	90.0	90.0
62	92.5	100.0
63	95.0	100.0
64	97.5	100.0
65	100.0	100.0

If you retired under the Voluntary Enhanced Retirement Program between June 1 and December 1, 2005, please refer to [Appendix C](#) for an explanation of how your benefit was calculated and how the early retirement factors applied to your payments.

***Appendix B: Alternative and Additional Benefits Under Prior Retirement Plans***

***Calculation Example—Early Retirement***

Following is an example of an early retirement benefit calculation for an employee, age 62 with 20 years of service:

<b>Illustration: CP&amp;L Early Retirement Benefit Under Final Average Pay Formula</b>	
<b>Assumptions</b>	
Born.....	December 17, 1939
Employed.....	October 25, 1968
Retired at age 62.....	January 1, 2002
Years of service at retirement.....	33 years, 2 months
Potential service when age 65.....	36 years, 2 months
Monthly salary rate on January 1, 2002.....	\$ 2,905
Estimated monthly Social Security benefit at age 65.....	\$ 971
Total actual earnings from January 1, 1997, to retirement.....	\$159,301
<b>Calculation</b>	
(1) Average monthly salary for last five years prior to retirement (\$159,301 ÷ 60).....	\$2,655.02
(2) Pension calculation: 1.7% x 33 years, 2 months of service (maximum 60%) (1.7% x 33.1667).....	56.38%
(3) Gross monthly benefit (item 1 x item 2).....	\$1,496.90
(4) Social Security offset calculation: 50% x $\frac{33.1667 \text{ (actual service)}}{36.1667 \text{ (potential service)}}$ (Up to 50%).....	45.86%
(5) Estimated primary monthly Social Security benefit at age 65	\$971.00
(6) Social Security benefit offset (item 4 x item 5).....	\$ 445.30
(7) Monthly net retirement benefit (item 3–item 6).....	\$1,051.60
(8) Early retirement percentage payable (Age 62 with 20 years of service) .....	100.00%
(9) Monthly retirement benefit paid by Trust Fund .....	\$1,051.60
(item 7 x item 8)	

***Late Retirement Pension***

If you choose to postpone retirement beyond age 65 (your normal retirement date), your benefit calculation will reflect your continuous service after age 65, up until December 31, 2003.

**Please Note:** If you retire after December 31, 2003, your pension under the final average pay formula will be based on the “frozen” accrued pension earned through December 31, 2003, and will not be increased for any reason.

***Appendix B: Alternative and Additional Benefits Under Prior Retirement Plans***

*Deferred Vested Pension*

If you are eligible for the Carolina Power & Light final average pay formula and the cash balance formula, and if you terminate employment after you become vested but before you are eligible for an early, normal or late retirement pension, you will be offered pension options based upon your cash balance account. If you defer receipt of your cash balance account until you reach age 55 or later, and if you had at least 15 years of service at termination, or if you defer receipt of your cash balance account until you reach age 65 and you had less than 15 years of service, you will be eligible to receive your cash balance as a lump sum or you may elect an annuity option. The annuity option will reflect the greater benefit between the final average pay formula and the cash balance formula.

A deferred vested pension under the final average pay formula is calculated in the same way as an early retirement pension, but uses different early commencement factors (see the following table).

<b>Deferred Vested Benefit Factors CP&amp;L Final Average Pay Formula</b>	
<b>AGE</b>	<b>FACTOR</b>
55	.3899
56	.4245
57	.4629
58	.5058
59	.5536
60	.6072
61	.6675
62	.7355
63	.8125
64	.9001
65	1.000

***Payment Options if eligible for both Cash Balance and Final Average Pay formulas***

If you qualify for a benefit from the final average pay formula, you may select from the payment options below. However, if the lump sum value of the greater benefit is \$1,000 or less, it will automatically be paid to you in cash. You are generally eligible to rollover the lump-sum payment into an IRA or another employer’s qualified plan to avoid immediate taxation and tax penalties (see [Starting Your Pension.](#))

For benefits greater than \$1,000, the Plan offers a variety of payment options to give you maximum flexibility. Your choices depend on your age and marital status at the time you choose to receive payment:

- If you are married, you will receive the 50% Joint and Survivor option, with your spouse as beneficiary. However, if you want to choose a lump-sum distribution or an annuity option that provides less to your spouse than the 50% Joint and Survivor option, you must obtain your spouse’s written, notarized consent to your election.
- If you are single, you will receive a Single Life Annuity unless you elect the Single Life Annuity with Refund Feature.

***Appendix B: Alternative and Additional Benefits Under Prior Retirement Plans***

- You may elect the Ten-Year Certain Option or Social Security Level Income Option *only* if you are eligible for early, normal or late retirement under the Final Average Pay formula.

Following is a detailed explanation of pension payment options available under the Plan. Please note that in certain cases, options may be available only if you were a plan participant on December 31, 1998 and have not had a break in service since January 1, 1999.

***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 charge for this option. Your minimum Single Life Annuity at normal retirement date will be \$300 per month under this option, even if your monthly payment is calculated to be less than \$300.

***Single Life Annuity with Refund Feature***

This option provides a monthly benefit payable over your lifetime. Under this option, your monthly benefit is reduced by 5% to provide a single lump-sum payment of any unpaid value of your account to your beneficiary upon your death.

***50% or 75% Joint and Survivor Annuity***

If you are married, this option pays a single life annuity as a monthly benefit to you for life. In the event that your spouse survives you, one-half, or three-quarters, of your monthly benefit would continue to him or her for life, depending on the election you make at retirement. There is no reduction in your benefit for this feature.

***50% or 75% Joint and Survivor Annuity with Refund Feature***

This option provides a monthly benefit of your single life annuity amount reduced by 5%, payable to you for life. In the event of your death, one-half, or three-quarters, of your monthly benefit would continue to your spouse for his or her lifetime, depending on the election you make at retirement. If there remains any unpaid value of your account after you and your spouse are deceased, a single lump sum will be paid to the estate of the last survivor.

***75% or 100% Joint and Survivor Annuity with Life Reversion***

This option provides a monthly benefit payable over your lifetime, actuarially reduced to reflect the cost of the continuing payments to your spouse, based on your age and your spouse's age when payments begin. In the event that you predecease your spouse, 75% or 100% of your monthly benefit would continue to him or her for life, depending on the election you make at retirement. If your spouse dies before you, however, your payments will be increased to the amount you would have received under the Single Life Annuity option.

***Ten-Year Certain Option***

*[This option is available only if you were a participant in the CP&L Plan on December 31, 1998, and your benefit starts at age 55 or older, or at any age if you leave with at least 35 years of vesting service.]*

The Ten-Year Certain option provides a monthly benefit payable to you for life, actuarially reduced in order to reflect the cost of the ten-year guarantee. If you die before 120 monthly payments have been made, payments would continue to your named beneficiary for the remainder of the ten-year (120-month) period. If you and your beneficiary die before 120 monthly payments have been made, the lump-sum present value of the remaining payments will be paid to the estate of the last survivor.

***Social Security Level Income Option***

*This option is available only if you were a participant in the CP&L Plan on December 31, 1998, and you are eligible for early retirement (age 55 with 15 years of vesting service or any age with 35 years of vesting service) when you leave the controlled group of Progress Energy companies.*

***Appendix B: Alternative and Additional Benefits Under Prior Retirement Plans***

The Social Security Level Income option is a variant of the 50% Joint and Survivor Annuity option. If you retire early (between ages 55 and 62), this option is designed to provide a steady level of retirement income before and after you begin receiving Social Security benefits at age 62. It provides increased pension payments before you reach age 62 and decreased payments after you reach age 62. If you are married, your surviving spouse receives the same monthly payments after your death that would have been payable if you had elected the 50% Joint and Survivor Annuity option.

***The Retirement Transition Support Program***

Certain participants in the CP&L Supplemental Retirement Plan were eligible for a benefit under the Retirement Transition Support Program (RTSP). If you are an eligible participant in the RTSP, you are not eligible for the cash balance formula except under the following situations:

- 1) If you are entitled to receive (but have not yet received) a benefit under the RTSP and you returned to a participating company **before** January 1, 1999, a separate cash balance account was set up for you as of January 1, 1999. Your new cash balance account received an opening account balance, pay credits, interest credits and transition credits. The opening account balance was based on the benefit you earned under the final average pay formula—not on your RTSP benefit. In addition, the benefit you earned before January 1, 1999, will continue to accrue under the final average pay formula until the earlier of (1) the date you terminate employment from a participating company or (2) December 31, 2003. When you terminate employment from the controlled group of Progress Energy companies, you will receive the greatest of:
  - Your cash balance pension benefit,
  - Your final average pay formula benefit, or
  - Your RTSP benefit.
  
2. If you are entitled to receive (but have not yet received) a benefit from the RTSP and you return to the company on or **after** January 1, 1999, a separate cash balance account will be set up for you upon your return or when you are eligible, whichever occurs first. Your new cash balance account will receive an opening account balance, pay credits and interest credits. However, your account will not receive transition credits. Your cash balance account will be based on the benefit you earned under the final average pay formula—not on your RTSP benefit. In addition, the benefit you earned prior to January 1, 1999, under the final average pay formula will not increase. When you terminate employment from the controlled group of Progress Energy companies, your benefit will be the greater of:
  - Your cash balance pension benefit, or
  - Your RTSP benefit.

**NCNG Plan**

***Eligibility***

If you were a participant in the NCNG Plan on December 31, 1999, you may be eligible for a “frozen” benefit under that Plan. The amount of your “frozen” benefit will show on your annual statement from the Pension Plan.

***Calculating Your NCNG Benefit***

***Normal Retirement Benefit***

Your “frozen” benefit under the NCNG Plan represents the benefit you accrued through December 31, 1999, payable at your normal retirement date. The amount is calculated as 50% of your average monthly compensation, reduced by 1/20 for each year of service less than 20 years as of December 31, 1999.

***Appendix B: Alternative and Additional Benefits Under Prior Retirement Plans***

<b>NCNG “frozen” Benefit Formula</b>
50% of average monthly x 1/20 years of service less than 20 = “frozen” benefit payable at age 65 compensation

Your average monthly compensation is the average of your monthly pay for the five consecutive years within the last 10 years of employment before December 31, 1999, that produce the highest average pay. If you had been employed less than five years on December 31, 1999, your total period of employment through December 31, 1999, will be used to determine your average monthly compensation.

Your pay includes all of your salary or wages, overtime, bonuses and incentive payments through December 31, 1999, up to the annual IRS compensation limits (\$160,000 in 1999).

<b>Illustration of NCNG “frozen” Benefit</b>	
<b>Assumptions</b>	
Average monthly compensation.....	\$3,000
Years of service.....	15
<b>Calculation</b>	
\$1,500	× 15/20 = \$1,125 monthly benefit payable at age 65

***Receiving Your NCNG “frozen” Benefit***

The date you commence payment of your “frozen” benefit depends on your age and service when you terminate or retire. You must, however, begin payments no later than the April 1 following the year in which you reach age 70½.

***At Normal Retirement***

You can receive a normal retirement benefit on the first day of the month coinciding with or following your normal retirement date (age 65).

***At Early Retirement***

You may retire as early as the first day of any month after you have reached age 55 and completed 20 years of service. This is your early retirement date under the NCNG Plan. If you retire early, you may elect to receive a monthly benefit beginning on the first day of the month following your early retirement date. For example, if your early retirement date is April 1, your first pension payment could be on May 1.

A benefit paid before age 65 will be based on your “frozen” NCNG age 65 benefit, reduced because payments will extend over a longer period of time. If you retire early, you may defer your benefit payments until you reach your normal retirement date. If you wait until your normal retirement date for your first payment, the benefit will not be reduced.

You may also begin payments on the first day of any month between your early retirement date and your normal retirement date, with the benefit based on your age when payments begin.

The table on the following page shows the percentage of your benefit you will receive, depending on the date payments begin:

***Appendix B: Alternative and Additional Benefits Under Prior Retirement Plans***

<b>NCNG Early Retirement Factors</b>	
<b>Age When Early Retirement Benefit Begins</b>	<b>Percent of Age 65 Benefit Payable</b>
64	93.33%
63	86.67%
62	80.00%
61	73.33%
60	66.67%
59	63.33%
58	60.00%
57	56.67%
56	53.33%
55	50.00%

Your benefit will be reduced for each full month that is less than one year.

***Late Retirement Benefit***

If you continue to work after your normal retirement date, you may retire as of the first day of any month following the date your normal retirement benefit would have begun. This is your late retirement benefit. Your payment will be based on the benefit you accrued through December 31, 1999. If you were past your normal retirement date on December 31, 1999, the formula will depend on when you reached age 65:

- If you were age 65 before October 1, 1988, your monthly benefit will be equal to the greater of:
  - 50% of your average monthly compensation, reduced by 1/20 for each year of service less than 20 years
  - The actuarial equivalent of the benefit you would have received had you retired on your normal retirement date
- If you were not age 65 before October 1, 1988, your monthly benefit will be 50% of your average monthly compensation, reduced 1/20 for each year of service less than 20 years.

***Deferred Vested Benefit***

If you terminate employment before you are eligible for an early or normal retirement benefit under the NCNG Plan, but after you are vested, you are eligible for a deferred vested benefit. You may begin payment of your deferred vested pension at age 55 if you have at least 20 years of vesting service when you terminate your employment from the controlled group of Progress Energy companies. If you have less than 20 years of vesting service when you leave the controlled group of Progress Energy companies, payments generally will start when you reach age 65, and must start no later than the April 1 following the year in which you reach age 70½ .

***NCNG Benefit Payment Options***

Your choices for how to receive your NCNG Plan benefit are different from your cash balance account payment options. The following choices are for your NCNG Plan benefit only. Your cash balance account benefit will be paid as described under [Receiving Your Cash Balance Benefit](#).

***Appendix B: Alternative and Additional Benefits Under Prior Retirement Plans***

***Benefits of \$1,000 or Less\****

If the present value of your cash balance benefit is \$1,000 or less, your pension benefit will generally be paid in a single lump sum. Generally, you may rollover this amount into an IRA or other employer's qualified plan to defer taxes and avoid tax penalties. See [Starting Your Pension](#).

***Payment Options for Benefits of More than \$1,000\****

If the present value of your cash balance benefit is more than \$1,000, you may choose any of the following options. If you are married, you will need your spouse's written, notarized consent to elect a form other than the Modified Joint and Survivor option or to elect a beneficiary other than your spouse.

If you do not elect a payment option during the election period (no earlier than 90 days but no later than 30 days before your benefit commencement date), your benefit will be paid based on your marital status:

- If you are married, you will receive the Modified Joint and Survivor option, with your spouse as beneficiary.
- If you are single, you will receive the Straight Life Income option.

***Straight Life Income Option***

This option provides monthly payments to you for your lifetime. No benefits will be paid after your death.

***120 Payments Certain and Life Option***

This option provides reduced monthly payments to you for your lifetime. However, in the event of your death before you have received 120 payments, your beneficiary will receive the balance of the 120 payments.

***Joint and Survivor Option (100%)***

This option provides reduced monthly payments to you for your lifetime. After your death, the same monthly amount will be paid to your beneficiary for his or her lifetime. This option means a larger reduction in your monthly benefit than under the Modified Joint and Survivor (see below) because your beneficiary will receive a larger benefit after your death.

***Modified Joint and Survivor Option (50%)***

This option provides reduced monthly payments to you for your lifetime. When you die, your beneficiary will receive 50 percent of your monthly payment for his or her lifetime.

\*Applicable to payments made on and after March 28, 2005.

***In the Event of Your Death***

***Before Payments Have Begun***

If you are vested or have met the requirements for an early or normal retirement benefit, your spouse may be eligible to receive a monthly benefit for life in the event of your death before payments have begun. These benefits are available only if you were an active employee of NCNG on or after August 23, 1984.

- If you die after you are eligible for early or normal retirement or after you retired but before payments were to begin, your spouse's benefit will equal 50% of the benefit you would have received if you had retired on the day before your death and you had elected to receive your benefit as a Modified Joint and Survivor option.
- If you die after you are vested, but before you are eligible for retirement, your spouse's benefit will equal 50% of the benefit you would have received if you had ended employment with the company on the date of your death (or your actual termination date if you had already ended employment with the company), had lived to your earliest retirement date and elected to receive your benefit beginning on

***Appendix B: Alternative and Additional Benefits Under Prior Retirement Plans***

that date under the Modified Joint and Survivor option. Your earliest retirement date is the date on which you would have reached age 55 if you had completed 20 years of service by the date of your death; otherwise, your earliest retirement date is your normal retirement date.

***Other Pre-retirement Death Benefit Options for Former NCNG Plan Participants***

If you continue working after you are eligible for a normal retirement benefit, you may elect the option under which you want to receive your benefit when you retire. You may request the *Election of Optional Retirement Benefit* form that you will need to make this election from the Employee Service Center. You may choose from any of the options described under *NCNG Benefit Payment Options* above. This provision allows you to choose a form of benefit other than the modified Joint and Survivor option for your spouse or, if you are not married, to provide a benefit to a beneficiary. In the event of your death before payments begin, your beneficiary will be paid a survivor benefit according to whichever option you choose.

If you are married, you will need your spouse’s written, notarized consent to elect a form of payment other than the Modified Joint and Survivor option or to name a beneficiary other than your spouse.

***After Payments Have Begun***

If you die after pension payments have begun, any payments to your beneficiary will be made under the terms of the payment method in effect.

**Florida Progress Plan**

***Eligibility for “frozen” Benefit***

You are eligible for a “frozen” benefit under the Florida Progress Plan if you were a participant in that plan on December 31, 2001, and became a participant in the Progress Energy Pension Plan as of January 1, 2002.

***The “frozen” Benefit Formula***

Your “frozen” benefit is calculated using a formula that takes your High-4 pay, years and months of Credited Service and estimated age 65 Social Security benefit as of December 31, 2001, into account.

***Defining the Terms***

**High-4 Pay**—The greater of the average of your highest consecutive 48 months (four years) of base pay or the average of your highest four calendar years of base pay throughout your career with a participating company of Florida Progress Corp., through December 31, 2001. Base pay includes base pay lump-sum increases, but not overtime, shift differentials, bonuses, Sharing the Success or ECIP awards, MICP awards, LTIP awards or amounts in excess of annual IRS compensation limit (\$170,000 in 2001).

**Credited Service**—Credited service means the period of time used to calculate your benefit under the Florida Progress Plan. It is generally equal to the period of time you actually worked.

For purposes of calculating your age-65 “frozen” benefit, the formula will count service through December 31, 2001. For the purposes of determining the percentage of your “frozen” benefit payable before age 65, if applicable, the plan will also include all credited service in the Progress Energy Pension Plan beginning January 1, 2002.

**Social Security Benefit**—Your Social Security benefit means an estimate of the Social Security amount you would receive beginning at age 65, based on your actual base pay from the controlled group of Progress Energy (including service with Florida Progress) and estimates of your earnings for earlier years.

***Appendix B: Alternative and Additional Benefits Under Prior Retirement Plans***

<b>FPC “frozen” Benefit Formula</b>	
$1\text{-}4/5\% (1.8\%) \times \text{High-4 Pay} \times \text{Credited Service (up to 35 years)}$ <i>minus</i> $1\text{-}1/7\% (1.14286\%) \times \text{Social Security age 65 benefit} \times \text{Credited Service (up to 35 years)}$	
<b>Illustration: FPC “frozen” Benefit</b>	
<b>Assumptions</b>	
Age .....	60 on December 31, 2001
Credited Service .....	35 years
High-4 pay .....	\$50,000
Social Security .....	\$15,000
<b>Calculation</b>	
1.8%      × \$50,000 × 35 years	= \$31,500
1.14286% × \$15,000 × 35 years	= - 6,000
“frozen” benefit payable at age 65 = \$25,500 per year (\$2,125 per month)	

***Special note to former Sebring Utilities employees***

If you were employed with the Sebring Utilities Commission and accepted employment with Florida Power Corporation on April 1, 1993, you will receive credited service under this Plan (and the new Progress Energy Pension Plan) for your employment with the Sebring Utilities Commission. Your “frozen” benefit from the Florida Progress Retirement Plan will, however, be reduced by the amount of your vested benefit under the Sebring Utilities Commission Pension Plan (actuarially adjusted if you terminate prior to age 60).

***Normal Retirement Benefit***

Normal retirement age is age 65 or the fifth anniversary of the date you become a participant in the plan, if later. Your normal retirement benefit is payable at your normal retirement age. If you terminate employment after you reach normal retirement age, you will be eligible to collect 100% of your “frozen” benefit beginning the first of the month following your retirement.

***Early Retirement Benefit***

To qualify for the early retirement provisions of the Florida Progress Retirement Plan, you must be at least age 55 with 15 years of credited service (including Progress Energy service) when you terminate employment from the controlled group of Progress Energy companies. If you are eligible for early retirement, you may begin collecting your “frozen” Florida Progress benefit immediately or you may defer payment until a later date. The amount you receive will depend on your service as of the date you terminate employment within the controlled group of Progress Energy companies and your age when you start receiving benefit payments.

***Appendix B: Alternative and Additional Benefits Under Prior Retirement Plans***

<b>Early Retirement Benefit Amounts</b>					
<b>Your age when your benefit begins:</b>	<b>With at least 15 credited years but less than 20 years of credited service when you leave Progress Energy:</b>	<b>With 20-34 years of credited service when you leave Progress Energy:</b>	<b>With 35 or more years of credited service when you leave Progress Energy:</b>		
64	100%	100%	100%		
63	100%	100%	100%		
62	100%	100%	100%		
61	94%	100%	100%		
60	88%	100%	100%		
59	82%	93%	100%		
58	76%	86%	100%		
57	70%	79%	100%		
56	65%	72%	100%		
55	60%	65%	100%		

\* This example illustrates the single life annuity option amount that would be payable for the participant’s lifetime. If another form of payment that will continue to a survivor is chosen, the monthly benefit would be reduced.

Keep in mind, service you accrue under the new Progress Energy Pension Plan will also count toward your eligibility for early retirement payments under the Florida Progress Retirement Plan.

If you retired under the Voluntary Enhanced Retirement Program between June 1 and December 1, 2005, please refer to [Appendix C](#) for an explanation of how your early retirement benefit was calculated.

<b>Illustration: FPC Early Retirement Benefit</b>				
<b>Assumptions</b>				
Age on 12/31/01.....				55
Credited service .....				18 years
Age-65 “frozen” benefit .....				\$20,000 (\$1,666.67/mo.)
<b>Retirement on:</b>	<b>With the following credited service:</b>	<b>If payment start date and age are:</b>	<b>Means that the annual benefit for life* would be:</b>	
12/1/02	19 years	1/1/03, age 56	\$13,000 (65%)	
12/1/03	20 years	1/1/04, age 57	\$15,800 (79%)	
12/1/04	21 years	1/1/05, age 58	\$17,200 (86%)	
12/1/05	22 years	1/1/06, age 59	\$18,600 (93%)	
12/1/06	23 years	1/1/07, age 60	\$20,000 (100%)	

\*This example illustrates a Life Annuity option. If another form of payment to provide continuing income after death is chosen, this annual benefit would be reduced. Keep in mind, a benefit from the cash balance account under the Progress Energy Pension Plan is also payable.

***Deferred Vested Benefit***

You are entitled to a benefit if you terminate employment from the controlled group of Progress Energy companies after you are vested in the Plan, even if you are not yet eligible for normal or early retirement. To be vested, you must have five or more years of vesting service when your employment stops.

Your pension will be calculated according to the formula shown on [Appendix B](#), using your High-4 pay, Credited Service and age 65 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 under age 55 at termination, for Social Security purposes we will project your earnings at your last rate of pay to your Normal Retirement age. All calculations were “frozen” as of December 31, 2001.

***Appendix B: Alternative and Additional Benefits Under Prior Retirement Plans***

If the value of your benefit is \$7,500 or less, you are eligible to receive a one time, lump-sum payment instead of a monthly benefit. The amount you receive will depend on your service as of the date you terminate employment within the controlled group of Progress Energy companies and your age when you start receiving benefit payments. Your benefit may be reduced for survivorship coverage as described in this section.

<b>Percent of “frozen” Benefit Amounts Payable Before Age 65 Deferred Vested Benefit</b>				
<b>Your age when benefit begins</b>	<b>5–14 years</b>	<b>15–19 years</b>	<b>20–34 years</b>	<b>35 or more years</b>
64	89.87%	100%	100%	100%
63	80.96	100	100	100
62	73.09	100	100	100
61	66.13	94	100	100
60	59.93	88	100	100
59	54.42	82	93	100
58	49.50	76	86	100
57	45.08	70	79	100
56	41.12	65	72	100
55	37.57	60	65	100

If you retired under the Voluntary Enhanced Retirement Program between June 1 and December 1, 2005, please refer to [Appendix C](#) for an explanation of how payment of your “frozen” vested benefit was calculated.

***Payment Options***

Under the Florida Progress Retirement Plan, you generally receive monthly annuity payments. If the value of your benefit is \$7,500 or less, you would be eligible to receive a lump-sum distribution immediately. Otherwise, you may receive your benefit as shown below.

***Normal Form of Payment***

The normal form of payment for normal, early and deferred vested benefits from the Florida Progress Retirement Plan depends on your marital status when payments begin.

***If you are married,*** the normal form of payment is a 50% Contingent Annuitant Option. Under this option, the amount of your monthly benefit is based on your age-65 “frozen” benefit, your age and service when you retire or terminate employment from the controlled group of Progress Energy companies and your age and your spouse’s age when payments start. You receive a reduced monthly benefit payable for your lifetime. In the event that your spouse survives you, one-half or 50% of your monthly benefit would continue to him or her for life.

***If you are single,*** the normal form of payment is a Life Annuity, described below.

***Optional Forms of Payment***

All the optional forms of payment listed below are available to single participants and to married participants (with a spouse’s written, notarized consent), who are eligible for normal or early retirement benefits. If your beneficiary is someone other than your spouse, however, you may not choose an optional form that reduces payments to you by more than 50%.

***Appendix B: Alternative and Additional Benefits Under Prior Retirement Plans***

---

Choices available to participants eligible for deferred vested benefits include the Life Annuity and the 50% or 75% Contingent Annuitant options only.

***Life Annuity.*** Your benefit is paid for your lifetime. This is the normal form of payment if you are single when payments begin (see above). If you are married, you may elect this option, which provides a benefit payable for your lifetime only, with your spouse’s written, notarized consent. The amount you receive is based on your age-65 “frozen” benefit, your age and service when you retire or terminate employment from the controlled group of Progress Energy companies, and your age when payments begin.

***Ten-Year Certain Option.*** Your benefit is payable for your lifetime, but not less than 120 months. If you die before you receive 120 monthly payments, the balance will be paid to your designated beneficiary or, if your designated beneficiary does not survive you, to your estate. (This option is not available for deferred vested benefits.)

***Contingent Annuitant Option.*** Your “frozen” age 65 benefit is reduced and paid for as long as you live. After your death, a portion of your payment (100%, 75%, 50% or 25%, depending on your choice) will continue to your beneficiary as long as he or she lives. In the event that your beneficiary predeceases you, your monthly payment will be adjusted to the higher Life Annuity amount the month after the Plan Administrator is notified of the beneficiary’s death. You may not choose another beneficiary. (If you will receive payments before Normal Retirement under the deferred vested or disability retirement provisions, you may choose only the 50% or 75% option for this form of payment.)

***Social Security Leveling Option.*** If you are eligible for early retirement and retire prior to age 62, this option allows you to choose increased payments from this plan until you reach age 62. When you reach age 62 and become eligible for Social Security payments, payments from this plan would be decreased. This option is designed to help ensure that your combined income from Social Security and this plan will remain level if you want to retire and begin your retirement income before you are eligible to begin Social Security payments. Under this option, payments are made for your lifetime only. (This option is not available for deferred vested benefits.)

***In the Event of Your Death***

***While Married and Actively Employed***

Depending upon your years of Continuous Service, the Plan may provide a benefit for your surviving spouse. If you are eligible and die while actively employed, your spouse will collect a lifetime monthly pension. (If you are not married at the time of death, no benefits are payable.)

You are eligible if you had completed at least five years of Continuous Service at the date of death. With less than ten years of service, the benefit is 50% of the “frozen” amount you would have been entitled to on your date of death payable to your spouse beginning the date you would have reached Normal Retirement Age.

If you had completed ten or more years of Continuous Service, benefits begin the month following death and continue for the life of your spouse. Your spouse will receive a percentage of your December 31, 2001, “frozen” benefit amount based on the table below.

***Appendix B: Alternative and Additional Benefits Under Prior Retirement Plans***

<b>Florida Progress Plan Death Benefit for Active Employees</b>	
<b>Percentage of Benefit</b>	<b>If Employee's Age at Death is:</b>
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

Any age difference of more than five years between you and your spouse will result in a reduction (if your spouse is younger) or increase (if your spouse is older) 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 your death.

The Plan may pay your spouse a single cash payment if the value of the benefit is \$5,000 or less. 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 75% or 100% contingent annuitant option.

The Plan may pay your spouse a single cash payment if the value of the benefit is \$7,500 or less. This one time, lump-sum payment would be in lieu of a monthly pension payment.

***After Termination But Before Deferred Vested Benefits Begin***

Your spouse's eligibility for a deferred vested death benefit depends on whether you and your spouse waive your option for Survivorship Coverage. Survivorship Coverage is automatically provided to married participants eligible for a deferred vested benefit with a corresponding reduction in the amount of your benefit. You and your spouse may waive Survivorship Coverage at any time after termination but before payments begin. There is no limit to the number of times you may waive the coverage or revoke the waiver. If the coverage is not in effect and you die before payments begin, your spouse will not receive any portion of your "frozen" benefit.

With Survivorship Coverage in effect, your spouse will receive one-half of the reduced benefit you would have received on the earliest date your payments could have started. The Plan may pay your spouse a single cash payment if the value of the benefit is \$5,000 or less. This one time, lump-sum payment would be in lieu of a monthly pension payment.

The cost of Survivorship Coverage is calculated each year based on your age and will accumulate until payments begin.

The chart below shows how the percentage reduction is calculated at each age (Column B), assuming a participant who is age 42 at termination with a "frozen" age-65 benefit of \$652 per month.

***Appendix B: Alternative and Additional Benefits Under Prior Retirement Plans***

<b>FPC Survivorship Benefit—Deferred Vested Benefits</b>					
<b>(A) Age Range*</b>	<b>(B) Percentage Reduction Per Year</b>	<b>(C) Monthly Age 65 Benefit</b>	<b>(D) Monthly Cost [(B) x (c)]/12</b>	<b>(E) Number of Months in Range</b>	<b>(F) Amount of Offset to Benefit (D) x (E)</b>
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
<b>Total reduction to age 65 monthly benefit:</b>					<b>\$73.68</b>

Here’s an example of how Survivorship Coverage works:

Suppose that Kathy leaves the company with 12 years of service at age 42, and that her husband is two years older. Assume that her deferred vested pension is \$652 per month, payable at age 65. The chart below illustrates the amount of benefits that Kathy and her husband would receive, depending on whether they have Survivorship Coverage and whether Kathy begins pension payments before her death.

The figures show reductions based on the cost of Survivorship Coverage, the ages of Kathy and her spouse when benefits begin and the payment option elected. For simplicity, this illustration assumes Kathy chooses the same payment option as provided under the Survivorship Coverage.

<b>Example—Deferred Vested Benefit Survivorship Coverage</b>			
	<b>Payments assuming Kathy survives and defers her benefit until Normal Retirement Date (age 65)</b>		<b>Payments to Kathy’s spouse if she dies at age 59 before benefits commence</b>
<b>With Survivorship Coverage</b>	To Kathy for life	To spouse (after Kathy’s death)	
<ul style="list-style-type: none"> <li>• Life Annuity</li> <li>• 50% Contingent Annuitant Option</li> </ul>	<ul style="list-style-type: none"> <li>\$577.02</li> <li>\$535.47</li> </ul>	<ul style="list-style-type: none"> <li>\$0</li> <li>\$267.74</li> </ul>	<ul style="list-style-type: none"> <li>N/A*</li> <li>\$156.58*</li> </ul>
<b>With no Survivor Coverage</b>			
<ul style="list-style-type: none"> <li>• Life Annuity</li> <li>• 50% Contingent Annuitant Option</li> </ul>	<ul style="list-style-type: none"> <li>\$652.00</li> <li>\$605.06</li> </ul>	<ul style="list-style-type: none"> <li>\$0</li> <li>\$302.53</li> </ul>	<ul style="list-style-type: none"> <li>N/A*</li> <li>\$0*</li> </ul>

\*The 50% Contingent Annuitant Option is automatic with Survivorship Coverage.

This chart is for illustration purposes only. The actual amount you and/or your spouse receive will depend on whether you waived Survivorship Coverage, the amount of your “frozen” benefit and your age and your spouse’s age when benefits begin.

**Appendix C, Section I: Voluntary Enhanced Retirement Program for Prior Plan Participants of the Progress Energy Pension Plan**

***Voluntary Enhanced Retirement Program***

Certain Plan participants were eligible and elected to retire between June 1, 2005 and December 1, 2005, under the Voluntary Enhanced Retirement Program (“the Program”). Under the terms of the Program, pension benefits were enhanced for most participants by adding five years to both age and service.

***Eligibility***

You were eligible to participate in the Voluntary Enhanced Retirement Program if you were:

- An active, regular full-time employee, or an employee on an approved leave of absence as of December 31, 2004 (excluding long-term disability leave);
- Continuously employed from December 31, 2004 through March 31, 2005;
- At least age 50 by March 31, 2005;
- An active participant in the Progress Energy Pension Plan and fully vested in your pension benefit as of March 31, 2005;
- Not excluded from participation as described below; and
- Completed all the requirements of the election process by May 1, 2005.\*

\* The election process included electing to participate and submitting a signed separate agreement and general release by April 15, 2005; a one-week period from April 16, 2005 to April 22, 2005, during which participants could revoke their elections; and submitting benefit payment election forms by May 1, 2005, accepting a retirement date between June 1, 2005 and December 1, 2005, as determined by the company.

You were not eligible to participate in the Voluntary Enhanced Retirement Program if you were:

- A Senior Management Committee executive or department head;
- Receiving long-term disability benefits under the company’s long-term disability plan;
- A part-time or temporary employee;
- An employee who had received notice of severance from the company before March 15, 2005; or
- An employee who did not meet the eligibility requirements listed above (for example, you were under age 50 and/or were not vested in your pension benefits on March 31, 2005).

***Enhanced Benefits under the Program***

The enhancement to your benefit under the Program depended on whether as of December 31, 2004, you were a former participant eligible for transition credits under the:

- Prior CP&L Supplemental Retirement Plan (“CP&L Plan”),
- Former Florida Progress Retirement Plan (“the Florida Progress Plan”), or
- Former North Carolina Natural Gas Plan (“NCNG Plan”).

Here’s how it worked:

Step 1: Your December 31, 2004, cash balance account was calculated as of your actual retirement date under the Program, using your base salary rate as of January 1, 2005.

Step 2: Five years of [pay credits](#) were then added to your account, using your base salary rate as of January 1, 2005, and adding a year to your age for each year of pay credits. If your base salary rate on January 1, 2005, was more than \$72,000, your account was also enhanced with [additional pay credits](#).

***Appendix C: Voluntary Enhanced Retirement Program (2005)***

Step 3: Transition credits were added for those who were eligible for transition credits on December 31, 2004, as follows:

- *Former participants in the CP&L Plan* received three years, seven months of transition credits, representing transition credits through the last date they were available under this Plan.
- *Former participants in the Florida Progress and NCNG Plans* received transition credits through the earlier of May 31, 2010, or December 31 of the year in which they reached age 65.

Step 4: If you elected to begin payments immediately upon retirement, the single life annuity generated by your enhanced cash balance account was calculated using your age as of your actual retirement date under the Program.

If you elected to defer payments, interest credits will be added to your account until you elect to commence payment as follows:

<b>Year</b>	<b>Interest Credit Rate</b>
2005 – 2007	5.0%
2008 and thereafter	4.0%

The annuity available from your enhanced cash balance account when payments begin will be based on your account balance (including interest) and actual age when payments begin.

If you have not yet commenced your benefit, you may defer payments to a later date, but to no later than the April 1 following the year you reach age 70½.

***For Former Participants under the Prior CP&L Plan***

*Enhanced Frozen Benefit*

If you had a “frozen” benefit under the prior CP&L Plan (see Appendix B), that benefit **payable to you at age 65** was not enhanced under the Program. However, five years were added to your age and service as of your actual retirement date under the Program to determine:

1. Your eligibility to collect your “frozen” benefit as an early retirement benefit;
2. The early retirement factor that would be applied to payments beginning as of your actual retirement date; and
3. Your eligibility for payment options that have minimum age and service requirements, such as the Social Security level income option.

Under the Program, your annuity benefit is calculated as the greatest of:

- The annuity generated by your enhanced cash balance account (including interest) as of your benefit commencement date,
- The enhanced “frozen” prior CP&L Plan benefit as of your actual retirement date under the Program (this amount does not change if you defer payment), **or**
- The unenhanced “frozen” prior CP&L Plan benefit based on your actual service at retirement (without enhancement) and your actual age as of your benefit commencement date.

*Payment Options*

Your payment options under the Program are the same as those available under the current Progress Energy Pension Plan and prior CP&L Plan. Your eligibility for payment options that have minimum age and/or service requirements were determined by adding five years to your age and service as of your actual retirement date under the Program.

***Appendix C: Voluntary Enhanced Retirement Program (2005)***

***For Former Participants in the Prior Florida Progress and NCNG Plans***

*Your Enhanced “Frozen” Benefit*

If you have a “frozen” benefit under the final average pay formula for the prior Florida Progress or NCNG Plan, you will receive that benefit in addition to the benefits generated by your Cash Balance Account.

The dollar amount of the “frozen” benefit *payable to you at age 65* was not enhanced under the Program. However, five years were added to your age and service to determine:

1. Your eligibility to collect an early retirement benefit under the prior [Florida Progress](#) or [NCNG](#) Plan,
2. The percentage (early retirement or deferred vested factor) for the prior [Florida Progress](#) or [NCNG](#) Plan that would apply to payments beginning immediately under the Program, and
3. For participants of the prior Florida Progress Plan, your eligibility for annuity [payment options](#) that have minimum age and/or service requirements, such as the Social Security leveling option.

When you begin your benefits under the Program, the amount you receive as of your benefit commencement date will be:

The annuity and/or lump sum generated by your enhanced cash balance account (including interest) as of your benefit commencement date,

***plus***

The greater of your enhanced “frozen” benefit as of your actual retirement date **or** your “frozen” benefit based on the early retirement factor for your age when payments actually begin (without enhancement).

*Payment Options*

Your payment options under the Program are the same choices as those available under the prior [Florida Progress](#) or [NCNG](#) Plan on December 31, 2001. For those options that have minimum age and service requirements, the five additional years of age and service will count.

***Appendix C: Voluntary Enhanced Retirement Program (2005)***

**Appendix C, Section II: Voluntary Enhanced Retirement Program for Prior Plan Participants of the Retirement Plan for Bargaining Unit Employees Florida Progress Corporation**

Certain Plan participants were eligible and elected to retire between June 1, 2005 and December 1, 2005 under the Voluntary Enhanced Retirement Program. Under the terms of the Voluntary Enhanced Retirement Program, pension benefits were enhanced for most participants by adding years to both age and service.

**Eligibility**

A bargaining unit employee was eligible to participate in the Voluntary Enhanced Retirement Program if he or she was:

- An active, regular full-time employee, or an employee on an approved leave of absence as of December 31, 2004,
- Continuously employed from December 31, 2004 through March 31, 2005,
- At least age 50 by March 31, 2005,
- An active participant in the Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation and fully vested in his or her pension plan benefit by March 31, 2005, and
- Satisfied all the requirements of the election process by May 1, 2005.\*

\*The election process included electing to participate and submitting a signed separate agreement and general release by April 15, 2005; a one week period from April 16, 2005 to April 22, 2005, during which participants could revoke their elections; submitting benefit payment election forms by May 1, 2005, accepting a retirement date between June 1, 2005 and December 1, 2005 as determined by the company.

The following bargaining unit employees were not eligible to participate in the Voluntary Enhanced Retirement Program:

- Part-time or temporary employees
- Employees who had received notice of severance from the company before March 15, 2005
- Employees who did not meet the eligibility requirements listed above (for example, employees who were under age 50 and/or who were not vested in their pension benefits on March 31, 2005).

**Enhance benefit formula**

If you participated in the Voluntary Enhanced Retirement Program, the calculation of your pension benefit under the final average pay formula shown below was enhanced as follows:

- Your normal age 65 retirement benefit under the plan in effect as of December 31, 2005, was projected to your actual retirement date, using your service (up to 35 years) as of that date and your “high-4” pay as of December 31, 2004.
- Your normal age 65 retirement benefit was recalculated with five more years of service (up to 40 years) using your “high-4” pay as of December 31, 2004.
- Five years were added to your age and service to determine the applicable percentage (early retirement factor) for starting pension payments on your actual retirement date.

*Final Average Pay Formula*

This is the formula used to calculate your benefit under the Plan before it was enhanced by the additional age and service described above:

- a. 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**
- b. 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**
- c. Your earned benefit payable beginning at Normal Retirement.

***Appendix C: Voluntary Enhanced Retirement Program (2005)***

*“High-4 pay”*

For the purposes of the Voluntary Enhanced Retirement Program, your “high-4” pay was calculated as of December 31, 2004 and was the **greater** of:

- The average of the highest consecutive 48 months (4 years) of base pay out of the last 120 months (10 years) of employment up to December 31, 2004, or,
- The average of the highest four calendar years of base pay (even if they were not consecutive) throughout your entire career with the company, up to December 31, 2004.

*Social Security benefit*

Under the Voluntary Enhanced Retirement Program, your Social Security benefit was factored into the final average pay formula based on the law in effect as of December 31, 2004, taking into account your actual salary while you were with the company and estimating your salary for earlier years. You had the option to provide the company with your actual salary history (available from the Social Security Administration) within one year of your retirement date under the program, or the date you are or were notified of your benefit amount under the program if you defer payments. Your benefits under both the formula in effect as of December 31, 2004 and the enhanced formula will be recalculated using the salary information you provide. Your benefit will be adjusted only if the recalculation results in a greater amount payable to you.

*Applying the early retirement factor*

To determine the early retirement factor applicable to your enhanced age 65 benefit as of your retirement date under the program, five years were added to your age and service, using the chart below.

<b>Your age when your benefit begins:</b>	<b>If you have at least 15 but less than 20 years of Credited Service, then you get this percentage of your earned benefit:</b>	<b>If you have 20 or more years but less than 35 years of Credited Service, then you get this percentage of your earned benefit:</b>	<b>If you have 35 or more years of Credited Service, then you get this percentage of your earned benefit:</b>
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%

For the purposes of this program only, if you had fewer than 24 years of service and were under age 65 after the enhancement, your enhanced early retirement factor is 60 percent, the factor for a participant age 55, with 15 but fewer than 20 years of service. Under the plan in effect on December 31, 2004, participants with fewer than 15 years of service were not eligible to begin payments before age 65.

*Minimum benefit*

If you participated in the program, the enhanced benefit payable to you as of your actual retirement date is fixed or “frozen” even if you elected to defer payments to a later date.

***Appendix C: Voluntary Enhanced Retirement Program (2005)***

---

When your pension payments actually begin, they will be the greater of:

- Your enhanced benefit “frozen” as of your actual retirement date, or
- Your actual accrued benefit under the plan in effect as of your actual retirement date (without enhancement), applying the early retirement factor based on your actual age when payments begin.

*Payment options*

Payment options under the program are the same as those under the current plan. Please refer to [How Pension Benefits are Paid](#) and [Optional Forms of Payment](#) in this document for details about the payment options available to you. Your enhanced age and service under the program determined your eligibility for certain benefit payment elections, such as the ten-year certain and Social Security leveling options. Once your eligibility for the benefit payment was been established, your (and, as applicable, your contingent annuitant’s) actual age were applied to your enhanced pension benefit to determine the lifetime payments that you will receive.

## Appendix D: Opening Account Balance Conversion Factors

Month	January 1, 1999											
Age	0	1	2	3	4	5	6	7	8	9	10	11
21	1.00000	1.00833	1.01667	1.02500	1.03333	1.04167	1.05000	1.05833	1.06667	1.07500	1.08333	1.09167
22	1.10000	1.10833	1.11667	1.12500	1.13333	1.14167	1.15000	1.15833	1.16667	1.17500	1.18333	1.19167
23	1.20000	1.20833	1.21667	1.22500	1.23333	1.24167	1.25000	1.25833	1.26667	1.27500	1.28333	1.29167
24	1.30000	1.30833	1.31667	1.32500	1.33333	1.34167	1.35000	1.35833	1.36667	1.37500	1.38333	1.39167
25	1.40000	1.40833	1.41667	1.42500	1.43333	1.44167	1.45000	1.45833	1.46667	1.47500	1.48333	1.49167
26	1.50000	1.52500	1.55000	1.57500	1.60000	1.62500	1.65000	1.67500	1.70000	1.72500	1.75000	1.77500
27	1.80000	1.83333	1.86667	1.90000	1.93333	1.96667	2.00000	2.03333	2.06667	2.10000	2.13333	2.16667
28	2.20000	2.22500	2.25000	2.27500	2.30000	2.32500	2.35000	2.37500	2.40000	2.42500	2.45000	2.47500
29	2.50000	2.52500	2.55000	2.57500	2.60000	2.62500	2.65000	2.67500	2.70000	2.72500	2.75000	2.77500
30	2.80000	2.82500	2.85000	2.87500	2.90000	2.92500	2.95000	2.97500	3.00000	3.02500	3.05000	3.07500
31	3.10000	3.12500	3.15000	3.17500	3.20000	3.22500	3.25000	3.27500	3.30000	3.32500	3.35000	3.37500
32	3.40000	3.42500	3.45000	3.47500	3.50000	3.52500	3.55000	3.57500	3.60000	3.62500	3.65000	3.67500
33	3.70000	3.72500	3.75000	3.77500	3.80000	3.82500	3.85000	3.87500	3.90000	3.92500	3.95000	3.97500
34	4.00000	4.02500	4.05000	4.07500	4.10000	4.12500	4.15000	4.17500	4.20000	4.22500	4.25000	4.27500
35	4.30000	4.32500	4.35000	4.37500	4.40000	4.42500	4.45000	4.47500	4.50000	4.52500	4.55000	4.57500
36	4.60000	4.62500	4.65000	4.67500	4.70000	4.72500	4.75000	4.77500	4.80000	4.82500	4.85000	4.87500
37	4.90000	4.92500	4.95000	4.97500	5.00000	5.02500	5.05000	5.07500	5.10000	5.12500	5.15000	5.17500
38	5.20000	5.22500	5.25000	5.27500	5.30000	5.32500	5.35000	5.37500	5.40000	5.42500	5.45000	5.47500
39	5.50000	5.52500	5.55000	5.57500	5.60000	5.62500	5.65000	5.67500	5.70000	5.72500	5.75000	5.77500
40	5.80000	5.82500	5.85000	5.87500	5.90000	5.92500	5.95000	5.97500	6.00000	6.02500	6.05000	6.07500
41	6.10000	6.12500	6.15000	6.17500	6.20000	6.22500	6.25000	6.27500	6.30000	6.32500	6.35000	6.37500
42	6.40000	6.42500	6.45000	6.47500	6.50000	6.52500	6.55000	6.57500	6.60000	6.62500	6.65000	6.67500
43	6.70000	6.72500	6.75000	6.77500	6.80000	6.82500	6.85000	6.87500	6.90000	6.92500	6.95000	6.97500
44	7.00000	7.00417	7.00833	7.01250	7.01667	7.02083	7.02500	7.02917	7.03333	7.03750	7.04167	7.04583
45	7.05000	7.05417	7.05833	7.06250	7.06667	7.07083	7.07500	7.07917	7.08333	7.08750	7.09167	7.09583
46	7.10000	7.10417	7.10833	7.11250	7.11667	7.12083	7.12500	7.12917	7.13333	7.13750	7.14167	7.14583
47	7.15000	7.15417	7.15833	7.16250	7.16667	7.17083	7.17500	7.17917	7.18333	7.18750	7.19167	7.19583
48	7.20000	7.20417	7.20833	7.21250	7.21667	7.22083	7.22500	7.22917	7.23333	7.23750	7.24167	7.24583
49	7.25000	7.25417	7.25833	7.26250	7.26667	7.27083	7.27500	7.27917	7.28333	7.28750	7.29167	7.29583
50	7.30000	7.32000	7.34000	7.36000	7.38000	7.40000	7.42000	7.44000	7.46000	7.48000	7.50000	7.52000
51	7.54000	7.56000	7.58000	7.60000	7.62000	7.64000	7.66000	7.68000	7.70000	7.72000	7.74000	7.76000
52	7.78000	7.80000	7.82000	7.84000	7.86000	7.88000	7.90000	7.92000	7.94000	7.96000	7.98000	8.00000
53	8.02000	8.04000	8.06000	8.08000	8.10000	8.12000	8.14000	8.16000	8.18000	8.20000	8.22000	8.24000
54	8.26000	8.28000	8.30000	8.32000	8.34000	8.36000	8.38000	8.40000	8.42000	8.44000	8.46000	8.48000

**Month**

**January 1, 1999**

Age	0	1	2	3	4	5	6	7	8	9	10	11
55	8.50000	8.50833	8.51667	8.52500	8.53333	8.54167	8.55000	8.55833	8.56667	8.57500	8.58333	8.59167
56	8.60000	8.60833	8.61667	8.62500	8.63333	8.64167	8.65000	8.65833	8.66667	8.67500	8.68333	8.69167
57	8.70000	8.70833	8.71667	8.72500	8.73333	8.74167	8.75000	8.75833	8.76667	8.77500	8.78333	8.79167
58	8.80000	8.80833	8.81667	8.82500	8.83333	8.84167	8.85000	8.85833	8.86667	8.87500	8.88333	8.89167
59	8.90000	8.90833	8.91667	8.92500	8.93333	8.94167	8.95000	8.95833	8.96667	8.97500	8.98333	8.99167
60	9.00000	9.00833	9.01667	9.02500	9.03333	9.04167	9.05000	9.05833	9.06667	9.07500	9.08333	9.09167
61	9.10000	9.10833	9.11667	9.12500	9.13333	9.14167	9.15000	9.15833	9.16667	9.17500	9.18333	9.19167
62	9.20000	9.20833	9.21667	9.22500	9.23333	9.24167	9.25000	9.25833	9.26667	9.27500	9.28333	9.29167
63	9.30000	9.35000	9.40000	9.45000	9.50000	9.55000	9.60000	9.65000	9.70000	9.75000	9.80000	9.85000
64	9.90000	9.95833	10.0166	10.0750	10.1333	10.1916	10.2500	10.3083	10.3666	10.4250	10.4833	10.5416
65	10.6000											

*Example: Date of Birth is January 25, 1963*

*The factor corresponding to 35 years and 11 months is 4.575*