2018 Interest Rates for Converting Cash Balance Account to a Monthly Annuity Payment (Legacy Progress Energy Pension Plan Formula)

The legacy Progress Energy pension plans (collectively, the "Plan") use an interest rate for converting cash balance accounts to a monthly annuity payment. The Plan provides that the interest rate is based, in part, on the 30-Year Treasury Rate published by the IRS for the prior August and resets annually on January 1 for commencement dates on or after January 1.

The August 2017 30-year Treasury Rate used in the formula to convert cash balance accounts to a monthly annuity for Plan payments that begin after January 1, 2018 is 2.80%. The August 2016 30-year Treasury Rate used in the formula to convert cash balance accounts to a monthly annuity for Plan payments that begin in 2017 is 2.26%. (Please note that, for purposes of calculating the early commencement reduction on the age 65 benefit, .50% is added to the 30-year Treasury Rate.)

How will the interest conversion rate impact calculations?

When converting a cash balance account to an annuity payment, a higher interest rate results in a larger annuity. A change in the interest rate has a greater impact on payments beginning at younger ages.

Which rates are used in the pension projection tool on Your Benefits Resources (YBR)?

The interest rates will be updated in the Pension Projection Tool by September 25, 2017. After the interest rates are updated in the tool, all projections with commencements on January 1, 2018 or later will reflect the 2018 interest conversion rates. Any estimate for a commencement in 2017 will still reflect the 2017 interest conversion rates. To verify the interest rates used for a pension projection, select the “How Your Benefit is Calculated” link just below the Assumptions panel in the online projection tool. Then select the “More Personal Information” link just above the Calculation Details section.

Which rates are used in my retirement benefit calculation?

If you are planning to retire within the next few months and you want to determine whether a 2017 versus a 2018 benefit commencement would be more favorable, you may want to consider the impact the change in the interest conversion rate has on your

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2 For legacy Progress Energy non-union employees covered under the Duke Energy Retirement Cash Balance Plan, the IRS three-tiered corporate bond rates are used to convert the portion of the cash balance account attributable to pay credits earned after Dec. 31, 2013. For additional details, see the document 2018 Interest Conversion Rates for the Duke Energy Retirement Cash Balance Plan and the Cinergy Corp. Union Employees’ Retirement Income Plan.
benefit. If your retirement date is after December 1, 2017, the 2018 interest conversion rate will apply.

There is a 30-day minimum notice for commencements, so for a December 1 retirement, you should begin the retirement process no later than November 1. Employment termination dates later than November 30, 2017 will have a benefit commencement date of January 1, 2018 or later, and the 2018 interest conversion rate will apply.

If you have questions about the interest conversion rates or pension benefit estimates, please contact the myHR Service Center at 888-465-1300.

This document contains selected highlights of Duke Energy’s employee benefits plans. If any statement herein, or any other communication, conflicts with applicable plan documents, the plan documents will govern. Duke Energy retains the right to amend, modify or terminate its benefits plans in any respect and at any time, and neither its benefits plans, nor your plan participation, will be considered a contract for future employment.