



## Frequently asked questions

# Upcoming changes to the Petro-Canada Lubricants Inc. (PCLI) pension plan

Updated May 16, 2022

As we shared with you in the communication sent in June 2020 and in our employee information sessions, we are making changes to the Petro-Canada Lubricants Inc. (PCLI) pension plan (the Plan). This document is intended to provide additional information and answer questions you may have.

### 1. Why is the company making changes to our pension plan?

Today, in Canada and around the world, most companies that offer pension plans to their employees offer a Defined Contribution (DC) pension plan. The changes we're making will keep us competitive and aligned with the market.

The changes will also support the sustainability of our pension program for the longer term, while providing a benefit that is consistent with HF Sinclair's benefit philosophy.

Helping our employees save for retirement continues to be a priority, which is why we are offering a very competitive DC pension plan. With the new DC plan we're introducing, employees will be able to direct between 22.5% and 26.5% of their earnings to their DC pension each pay period by maximizing the savings opportunity.

### 2. What's the difference between a DB and a DC plan?

The difference between a Defined Benefit (DB) pension and a Defined Contribution (DC) pension has to do with the type of pension promise. In a DB plan, the employer promises a pension based on a formula that is typically based on service and final average earnings. The employer assumes all of the investment risk to pay the promised pension. In a DC plan, the employer commits to making contributions, typically based on a percentage of pay. Often, the employer contributions include a match based on a percentage of employee contributions. In a DC plan, you decide how to invest your pension and you control the level of risk you take with your investments. The amount of pension that will be available in retirement depends on the amount contributed and how your selected investments perform before and after retirement.



**3. What retirement program will I participate in during my employment with the company after the freeze/wind-up date?**

All employees will participate in a new DC plan (the New DC Plan) after the freeze/wind-up on June 30, 2022. This is the same DC pension plan offered to current employees who do not have a DB component as part of their pension benefit.

**4. What do I need to do to participate in the new retirement program?**

You will need to enrol in the New DC Plan. Further details will be provided to you in time for your participation in the plan to begin.

## **The defined benefit (DB) plan**

### **Plan freeze and wind-up**

**5. What's happening with the DB Plan?**

Over the next few years, we will introduce the following changes to the DB Plan:

- Effective June 30, 2022, all DB pension benefits in the Plan will be frozen.
- We also intend to wind up the Plan, effective June 30, 2022, assuming business, financial, market and regulatory conditions are satisfactory at that time.
- Starting January 1, 2021, the New DC Plan will launch and starting July 1, 2022, the contribution formula will change.

Remember, there will be no changes to how you earn DB pension benefits until June 30, 2022. Please refer to your letter to see what these changes mean for you.

**6. What's the difference between a pension freeze and a wind-up?**

When a pension is frozen, it remains intact, but no new accruals are allowed. The final average earnings and service used to calculate the pension are frozen as of the freeze date. All assets remain in the pension plan. Typically, a freeze applies only to defined benefit plans.

With a wind-up, the pension plan is terminated and all assets must be paid out from the pension fund. If we proceed with the wind-up, HF Sinclair will provide you with the option of receiving your accrued benefits either as 1) an annuity, paid to you from a Canadian insurance company when you retire, or 2) a one-time lump sum payment.

For members who report to work in Quebec, it's only service that is frozen with a pension freeze. In a wind-up, per applicable pension legislation, plan participants in Quebec can only receive their DB pension benefit as a lump sum.



**7. What is the likelihood that HF Sinclair receives approval to move forward with the wind-up?**

The decision to wind up the DB Plan is dependent on business, financial and regulatory considerations leading up to June 30, 2022. We will decide if we are winding up the plan closer to that date. Regulators review and approve all of the filings related to a plan wind-up, but HF Sinclair does not require regulatory approval to proceed with the wind-up.

**8. When do you expect to receive regulatory approval?**

If we decide to wind up the plan as of June 30, 2022, our actuaries will file a wind-up report by December 31, 2022, and we expect to receive approval of the wind-up report from the Financial Services Regulatory Authority of Ontario (FSRA), Ontario's pension regulator, approximately 12 to 18 months later. We would expect to receive approval sometime in the first half of 2024, with benefits being settled after that date.

**9. How will these changes affect how I receive my DB pension benefit?**

There is no change to how you earn your DB pension benefit until June 30, 2022. The changes will not impact what you have earned already, and you will keep the benefits earned up until June 30, 2022. In addition, any contributions you may be making to your DBA will stop and you will keep the full value of your DBA account as of June 30, 2022. Starting July 1, 2022, all employees will participate in the New DC Plan.

**10. Am I losing any of the DB pension benefits I earned? Are the Plan terms changing?**

You will not lose any of the DB pension benefits you have earned. The changes won't impact what you earn up to the freeze/wind-up date, and you will keep all DB pension benefits earned up to June 30, 2022.

Neither the freeze nor the wind-up change the Plan terms. After the freeze/wind-up date, you will continue to be eligible for things like early retirement benefits, bridge benefits, and Joint and Survivor pensions. In addition, things like reductions for early retirement will continue to apply the same way they do today.

**11. What is the company's commitment to employees with respect to the wind-up? What regulations govern the wind-up process?**

We cannot remove or reduce any DB pension benefits that have already been earned.  
**You will keep all DB pension benefits and entitlements earned up to the June 30, 2022**



**wind-up date**, including eligibility for early retirement with an unreduced pension. We'll keep you informed throughout this process about timing and what you can expect.

HF Sinclair and our actuary, Willis Towers Watson, will follow all wind-up steps, as required by applicable pension legislation. FSRA will have oversight of the wind-up process. Lump sum calculations are completed using factors prescribed by the Canadian Institute of Actuaries.

Before any benefits may be paid out, we are required to seek FSRA's approval of our wind-up report. FSRA reviews our report to ensure we have followed all required steps, pension legislation and the Plan terms. This includes FSRA's review of each individual pension calculation.

Please refer to Regulations 28 to 30 in the Ontario Pension Benefits Act Regulations: <https://www.ontario.ca/laws/regulation/900909>.

#### **12. Is the DB formula changing?**

No. The DB formula will not change between now and the wind-up date of June 30, 2022. Your DB pension will continue to be calculated in the same way, using the same factors. As long as you continue to work at HF Sinclair, your DB pension benefits will continue to grow until June 30, 2022. You will remain entitled to all DB pension benefits earned up to the wind-up date.

#### **13. Is my Pensionable Service based on my years of service with Suncor Energy or with HF Sinclair (PCLI)?**

Your Pensionable Service takes both into account. It tracks your years of pensionable service upon joining the DB Plan, which would include your years of service with Suncor Energy and those you have and will continue to accrue with HF Sinclair (PCLI) up to the wind-up date. You can check your Pensionable Service in the annual statement you receive each year.

#### **14. How are Final Average Earnings calculated?**

##### **[DB only]**

Your Final Average Earnings take into account your base earnings and certain other earnings, including shift differential pay, acting-up pay and relief supervisor pay. Final Average Earnings are calculated based on the best 36 months over the last 120 months preceding the June 30, 2022 wind-up date.

##### **[DB-DC]**



Your Final Average Earnings take into account your base earnings. Final Average Earnings are calculated based on the best 36 months over the last 180 months preceding the June 30, 2022 wind-up date.

**15. What is the funded status of the Plan today? How will the funded status of the Plan affect the wind-up?**

Based on the January 1, 2020 funding valuations, the Union DB Plan was 93.3% funded on a wind-up basis, and the Non-Union DB Plan was 93.1% funded on a wind-up basis (Ontario legislation requires solvency funding up to 85%). By legislation, pension plans must be fully funded at 100% before wind-ups can be settled and assets distributed to members. The January 1, 2020 funding valuation reports have not yet been finalized, and therefore, have not yet been filed with FSRA.

We regularly perform actuarial valuations of the DB Plan. We encourage you to refer to your annual statement to learn more about the funded status of the Plan.

**16. Will the company distribute any Plan surplus upon wind-up?**

As of the last valuation performed in January 2020, there was no surplus on a solvency basis. The company does not anticipate having any surplus upon windup.

**17. What happens if the DB Plan is not wound up? Who will manage the Plan?**

If the DB Plan is not wound up, your pension will be frozen and calculated at June 30, 2022.\*

HF Sinclair will continue to manage the Plan, just as we do today, along with our pension consultants. HF Sinclair partners with Willis Towers Watson to manage and administer the DB Plan.

\*If you report to work in Quebec, only the Pensionable Service component of your DB pension will freeze on June 30, 2022.

**18. How can I find out what my current DB entitlement is?**

Please refer to your 2020 annual statement, which was sent to you in June of last year. If you did not receive your statement, please contact [Benefits@HFSinclair.com](mailto:Benefits@HFSinclair.com) or the Defined Benefit Pension Centre at **1-844-565-2280**.

**19. What are my options for receiving my DB pension benefits as part of the wind-up?**

If we do not proceed with the wind-up, your DB pension benefits will be frozen on June 30, 2022. You will receive your DB pension benefits when you retire or leave the



company. Some of the options described as part of the wind-up do not apply during a pension freeze.

If we do proceed with the wind-up, in early 2023, you will receive a personalized statement and option forms for receiving your DB pension benefits. Using an online tool to submit your decision, you will be able to choose from two options:

- A. Annuity payment.\*** You can choose to receive your DB pension benefit either as an immediate annuity payment (if you are eligible to retire as of the wind-up date) or as a deferred annuity payment (starting as early as your 55<sup>th</sup> birthday). Whether you choose the immediate or deferred option, your annuity will be paid to you by a Canadian insurance company. If you choose the deferred option, you will need to contact the insurance company when you are ready to retire.
- B. Lump sum option.** You can choose to transfer the lump sum value (up to Income Tax Act limits) to a locked-in retirement vehicle, including to the New DC Plan or to an insurance company to purchase your own annuity.

\*Per applicable pension legislation, all employees who report to work in Quebec must receive their DB pension benefit as a lump sum when a pension plan is wound up. Employees in Quebec will not be able to choose to receive their DB pension benefit as an annuity payment. Regardless of where you report to work, if your DB benefit is below a certain value, you may only receive the lump sum option.

## 20. What is a lump sum value and how is it calculated?

The lump sum value of your DB pension benefit (also known as a commuted value) is the amount of money that would need to be invested today in order to provide your monthly DB benefit at retirement. The lump sum is calculated by the DB Plan's actuaries, according to the process, interest rates and mortality assumptions prescribed by legislation and the Canadian Institute of Actuaries. The actuaries' calculations are subject to review and approval by FSRA. The prescribed interest rates are updated each month, so we cannot know at this time what interest rates will be in effect at the June 30, 2022 wind-up date or a later wind-up date.

## 21. What is a locked-in retirement vehicle?

A locked-in retirement vehicle is an investment product where the funds cannot be all withdrawn at once, and instead, must be used to provide income over the lifetime of



the account holder during their retirement. It can include a locked-in retirement account, registered pension plan, life Income fund or annuity provided by a life insurance company.

**22. What if I pass away before my DB pension benefits are settled?**

If you pass away before your DB pension benefits are settled and you chose the lump sum option, then your lump sum amount will be paid to your spouse or beneficiary.

If you pass away before your DB pension benefits are settled and you selected a pension with a survivor pension, then the survivor pension will continue to be paid to your surviving spouse for the remainder of his or her life.

If you pass away without having chosen an option, then your spouse or beneficiary will be able to receive your DB pension benefits either as a monthly pension or a lump sum amount.

**23. Once I choose my option, how long will it take to receive my DB pension benefits?**

You will receive your wind-up election form within six months following the wind-up date. You will then have 90 days to choose your option. If you choose an immediate pension, then your pension payments will start 1-2 months after the 90-day window for making your election. If you choose the lump sum option, then we expect to have approval to transfer your lump sum 18-24 months after the wind-up date.

## **About the annuity option**

**24. What is an annuity?**

An annuity is a guaranteed monthly payment you receive upon retirement, paid to you for life by an insurance company. Your annuity will pay you your future monthly DB pension. In other words, the annuity we will purchase on your behalf will cover all monthly payments you receive in retirement. HF Sinclair pays all costs associated with purchasing the annuity.

**25. If I choose the annuity option, will my monthly payment increase in the future?**

If your pension currently includes indexing adjustments, the annuity we purchase will include the exact same indexing adjustments. The wind-up does not change the pension you accrued, and that includes any indexing you may be entitled to.



**26. Is my DB pension guaranteed after the annuity is purchased?**

Your pension will be paid in accordance with the form of pension you select. Some forms of pension include a guarantee period and other forms of pension include a survivor pension. If you have a spouse, you must choose a form of pension that includes a survivor pension of at least 60% of the pension while you are alive, unless your spouse signs a waiver.

**27. Are there any significant differences between receiving my monthly payment from the PCLI pension fund as opposed to an insurance company? Will my annuity be in the same amount as the pension I earned under the Plan?**

There are no significant differences between receiving your payment through an annuity vs. the pension fund. The annuity we purchase for you will be for the same dollar amount as what you earned under the Plan. It will be payable for your lifetime and, if applicable, your surviving spouse's pension will be payable for his or her lifetime. The annuity will also replicate any features of your DB pension benefit that you are eligible to receive, including things like indexation and early retirement options.

**28. What is the selection process for the annuity purchase? Is it competitive?**

We'll request quotes from insurance companies that offer group annuity contracts for pension plans. The group annuity contract business is competitive, and we expect most insurance companies who sell group annuities will be interested in the business.

When making the selection, the company, with the advice of independent experts, will consider many factors, including the financial strength and rating of the insurance company, its ability to administer plan payments and its customer service capabilities. Based on a thorough and thoughtful process, the company will determine which insurance company best suits the Plan's needs and then select the insurance company that will provide the annuities.

The insurance company will send you an annuity certificate as part of the settlement of benefits once the annuities have been purchased.

**29. Will my annuity be secure? What happens if the insurance company goes bankrupt?**

Once your annuity is purchased, your pension will be protected by Assuris, an independent and federally regulated organization that protects Canadian policyholders. Assuris protection guarantees payment of your benefit up to \$2,000 or 85% of your monthly pension – whichever is greater – in the unlikely event that your insurer were ever declared insolvent. With these protections, the security of your pension will





actually increase as a result of transferring payment from the PCLI pension fund to a Canadian insurance company.

**30. If I choose the annuity option, will my annuity payments be indexed? And for how long?**

Indexing refers to adjustments that may be made to your monthly annuity payment to help protect it against inflation.

The annuity purchased on your behalf will provide you with the exact same benefit features you were eligible to receive under your DB pension prior to the wind-up, including indexation if this applies to you. In other words, if your DB pension is indexed, your annuity will be indexed as well.

If you are entitled to indexing, then these adjustments will be included in your monthly annuity payments for your lifetime and that of your surviving spouse, if you choose a form of pension that includes a survivor pension.

The value of any indexing you may be entitled to will also be included in your lump sum value. The wind-up will not change your entitlement to indexing.

**31. How is the benefit for a surviving spouse calculated?**

When you are ready to retire, you will be able to decide on the form of payment you'd like to receive. If you have a spouse, unless both you and your spouse sign a waiver, you must choose a Joint and Survivor form of pension. A Joint and Survivor form of pension means at least 60% of your monthly payment will go to your spouse for the remainder of their lifetime upon your death. A Joint and Survivor pension has a higher value, so if you select this form, your monthly payment will be reduced. You could choose to use your DBA account balance, if you have one, to purchase an unreduced Joint and Survivor form of pension up to Income Tax Act limits.

You can also choose a higher Joint and Survivor pension that provides more than 60% of your monthly payment to your spouse. However, once your pension payments begin, the form of pension you choose can't be reversed or changed.

## **About the lump sum option**

**32. How will my lump sum be calculated?**



Your lump sum (also known as a *commuted value*) is the actuarially determined present value of your benefits under the Plan. It is the estimated lump sum amount required to provide the monthly pension you have earned up to the calculation date, payable for your lifetime, assuming it is 1) deposited into a tax-free vehicle (such as a locked-in retirement account), and 2) earning investment income equal to the interest rates used in the lump sum calculation.

The calculation is performed by an actuary, following the requirements of the Pension Benefits Act (Ontario) and the Canadian Institute of Actuaries. It takes into account:

- Your age and life expectancy (based on mortality tables), and that of your spouse, if applicable
- Your Pensionable Service and Final Average Earnings with the company as of the wind-up date of June 30, 2022
- Your bridge benefit and any ancillary benefits, if applicable
- Any grow-in benefits you may be entitled to
- Interest rates in effect at the time your lump sum is calculated, as prescribed by the Canadian Institute of Actuaries

Your lump sum will be calculated after the June 30, 2022 wind-up date. Because we cannot know what interest rates will be at that time, we cannot forecast the lump sum value of your benefits. As a general rule, however, lower interest rates result in higher lump sum amounts. Higher interest rates result in lower lump sum amounts. This is because, when interest rates are high, less money (or principal) is required upfront to generate the amount of required income.

In early 2023, you will receive a personalized statement showing you this amount, the factors used for your calculation, and your options and any tax implications for receiving your DB pension benefits.

**33. What is the valuation methodology used to calculate my commuted value?**

The valuation methodology used to calculate your commuted value is prescribed by the Canadian Institute of Actuaries' Standards of Practice section 3500. These standards are scheduled to change, effective December 1, 2020.

**34. Can you confirm that my commuted value will be the net present value of the future expected payment streams?**

The commuted value may not be the same as the present value of the future expected payment streams, since it may be a combination of the value of two potential payment



streams: 50% of the present value of the pension starting at the earliest unreduced age, and 50% of the present value starting at the most valuable age.

**35. Interest rates vary, but if you wound up the Plan today, what discount rate would you use?**

For commuted values calculated as of July 2020, the interest rates are 1.3% for 10 years, and 2.2% thereafter. The commuted value interest rates change every month.

**36. What source will you use for the discount rate (public Bank of Canada rates or a non-public financial institution)?**

The interest rates are based on Government of Canada bond yields, plus a spread for the illiquidity of pensions.

**37. What happens if I have a small lump sum value that falls below a certain threshold?**

If the lump sum value of your DB pension benefit is less than 20% of the Year's Maximum Pensionable Earnings (\$58,700 in 2020), your pension must be paid to you as a lump sum. The annuity option would not be available to you in this case. For 2020, this threshold amount is \$11,740.

It's unlikely that any employees will have lump sum values that fall below this threshold. The personalized statement you'll receive in early 2023 will indicate whether this applies to you.

**38. What is the life expectancy prediction used in the calculation of my lump sum?**

Actuaries use mortality tables and mortality improvement scales to make life expectancy predictions for men and women. They determine the probability that you will be alive for each future pension payment, and then discount each future payment with interest. Mortality tables and mortality improvement scales are prescribed by the Canadian Institute of Actuaries, and are subject to change from time to time.

**39. Will I be able to review the mortality tables, interest rates and other actuarial assumptions used to calculate my lump sum value?**

Yes. All of the data and assumptions used to calculate your lump sum value will be disclosed to you. You will be able to review this information using the online tool we'll provide to you in early 2023 to help you decide how you'd like to receive your DB pension benefits. You will be able to take the information to an independent actuary to have your calculations verified, if you'd like.



#### 40. Will interest be added to my payment in 2024?

Yes. Interest will be added to your lump sum amount up to the payment date, using the same interest rates that were used to calculate your lump sum value.

## Making my decision

#### 41. What happens if I don't submit my decision by the deadline?

Once you receive your personalized statement and options for receiving your DB pension benefit, you will have 90 days to submit your decision using the online tool.

If you don't submit your decision by the deadline, when you retire, you will receive your DB pension benefit as an annuity, paid to you by a Canadian insurance company. This is the default option under the wind-up (except for Quebec employees, who must receive their DB pension benefit as a lump sum payment).

#### 42. What are the tax implications as a result of the wind-up? Are there any implications for my Savings Plan account?

The Canadian Income Tax Act (ITA) limits the amount of a lump sum that can be transferred tax-free from a registered pension plan. If you choose the lump sum option and your amount exceeds this limit, any amount above the ITA limit must be paid to you as taxable cash, less withholding taxes. The portion of your lump sum that can be transferred tax-free, and the taxable portion, if applicable, will be clearly laid out on your windup option form.

The following table illustrates withholding tax rates for lump sum amounts that exceed the ITA limit:

Withholding tax on cash payments	Quebec only	Non-Quebec
\$0 to \$5,000	20%	10%
\$5,000.01 to \$15,000	30%	20%
More than \$15,000	35%	30%

In addition to withholding tax, you may be required to pay additional tax on this excess amount when you file your income tax return for the year you receive it. To help mitigate some of the tax implications, we will likely provide the option of transferring some or all of



any excess amount to your personal Registered Retirement Savings Plan (RRSP), tax-free, provided you have sufficient contribution room.

Pension benefits like your PCLI pension and Canada Pension Plan payments are taxable when they are paid to you. If you choose to receive your DB pension benefit as an annuity, you will pay tax on any monthly payments you receive when you retire.

There are no new tax implications for your Savings Plan account as it is not a part of the wind-up.

**43. What happens with my Defined Benefit Ancillary (DBA) account if I choose to receive my DB pension benefit as an annuity? What happens if I choose the lump sum option?**

Your DBA account is used to purchase DB pension enhancements, like inflation protection, reduced early retirement reductions, enhanced survivor benefits or a bridge pension paid until age 65. Your DBA account value will be included in the calculations provided to you for your annuity and lump sum options.\* It can be deposited into your locked-in retirement vehicle or DC account, up to Income Tax Act limits.

There is a maximum amount that can be transferred tax free to a locked-in retirement account. This maximum applies to the sum of your commuted value plus your DBA account. With the current low interest rates, you will have a significant portion of your total lump sum subject to immediate taxation.

If you choose the annuity option, then your DBA must be used to enhance the value of your monthly payments when you retire. You will be able to choose from the same set of enhancements available to you today under the DB Plan; the only difference is that your choices will be honoured by the insurance company that will be paying your annuity. If you choose to receive your DB pension benefits as a lump sum, then your DBA will be paid out to you as part of your lump sum amount upon approval of the wind-up.

\*Employees who report to work in Quebec will receive the lump sum option only. Quebec employees with a DBA will have the value of this account included in the calculation and payment of their lump sum values.

**44. Can I choose to receive my DB pension and my DBA in different ways?**

No. Your DBA must be paid to you in the same format as your DB pension. This means that if you choose to receive your DB pension as an annuity, your DBA will be included in



your annuity. Conversely, if you choose the lump sum option, your DBA will be included in the calculation and payment of this lump sum value.

**45. What's better... an annuity or the lump sum value of my DB pension benefits?**

This is a personal decision. The option that's best for you will depend on many different factors, including your personal situation, risk tolerance, amount of other savings and financial goals.

Some people prefer the security and reliability that comes with receiving a fixed monthly annuity payment. Others prefer taking control of their money and how it is invested. Before submitting your decision to the online tool, we recommend working with a trusted financial advisor to review your options. Visit FP Canada at [www.fpcanada.ca/findaplanner](http://www.fpcanada.ca/findaplanner) to locate a certified financial planner in your area. You should also consider how your financial advisor is compensated when evaluating the advice you receive.

## **My retirement options**

**46. Does the wind-up change the rules for early retirement?**

No. The rules for early retirement will not change as a result of the wind-up.

**47. If I am under the age of 60 on June 30, 2022, am I automatically deemed to have “retired early?” Will this affect the calculation of my commuted value, even if I am not planning on retiring as of the wind-up date?**

You will not be deemed to have retired early if you are under the age of 60 on June 30, 2022. The date of the freeze/wind-up simply means that your benefits have stopped accruing at that date. Your commuted value will be calculated in accordance with the Commuted Value Standards of Practice at the wind-up date.

When you retire, your pension may be reduced, depending on your age at your retirement date. If you choose to retire on or after age 60, your pension will not be reduced. If you have service in one of the prior plans such as BP, Petrofina or Gulf, then the age at which that portion of your pension will be unreduced could be earlier or later than age 60. See Question 52 for more information.

**48. What happens if I retire before the wind-up date of June 30, 2022?**



If you retire before the wind-up date and you wish to start collecting your pension, you will receive a monthly pension payment, paid to you from the PCLI pension fund, until FSRA approves the wind-up and an annuity is purchased on your behalf.

Once the annuity purchase is finalized, you will receive your monthly pension payment from a Canadian life insurance company. Your payments will continue without interruption; the only difference is that they will come from the insurance company instead of the pension fund. You will receive a welcome package from the insurance company before the annuity purchase is finalized to ensure a smooth transition.

Quebec-based employees must retire before the wind-up date in order to receive a company-purchased annuity.

**49. What happens if I retire after the wind-up date of June 30, 2022, but before 2024 when all of the benefits are settled?**

We will seek approval from FSRA to start paying monthly pensions during the wind-up process. So, if you retire after July 1, 2022, you have the option to receive a monthly pension payment, paid to you from the PCLI pension fund.

As part of the wind-up process, you will use an online tool to decide how you'd like to receive your DB pension benefit once the wind-up is approved. One of your options will be to receive monthly payments through an annuity, purchased by HF Sinclair on your behalf and paid to you by a Canadian insurance company.\* If you choose this option, your monthly pension payment will continue to be paid to you from the PCLI pension fund until FSRA approves the wind-up and your annuity is purchased. Once your annuity is purchased (likely sometime in 2024), your payments will continue without interruption; the only difference is that they will come from the insurance company instead of the pension fund.

A second option is to receive monthly payments until we receive wind-up approval and then receive your DB pension benefits as a lump sum payment. In this case, your monthly payments would begin as of your retirement date and would continue until we receive regulatory approval from FSRA. When your lump sum value is paid, it would be reduced by the value of any monthly payments you received, including interest, from your first monthly payment until when your lump sum value is transferred to you.

\*Employees who report to work in Quebec will receive the lump sum option only. Quebec employees who retire after July 1, 2022 must wait until the wind-up is approved



and then their lump sum value plus interest will be transferred in accordance with the employee's selected option.

**50. What is grow-in? Does it allow me to retire before age 60 without reduction?**

Grow-in applies to employees in Ontario and Nova Scotia whose age plus continuous service totals 55 or more as of the wind-up date.

The purpose of grow-in is to ensure that employees don't lose the ability to take advantage of early retirement subsidies available under a pension plan, simply because the plan is being wound up. If you are eligible for grow-in and you are still with HF Sinclair as of the wind-up date, the value of this benefit will be included in the calculation of your annuity and lump sum.

Grow-in allows you to retire with an unreduced pension *at* age 60. It does not allow you to retire with an unreduced pension *before* age 60. However, if you qualify, you may be able to retire with a subsidized reduction between the ages of 55 and 60. There are some employees who have service in prior plans that have different early retirement rules. If you have service in a prior plan with BP, Petrofina or Gulf, your pension entitlement under those plans will have different early retirement provisions.

**51. I'm currently participating in the Defined Benefit (DB) component of the pension plan and will be retirement eligible (age 55+) as of the potential date of Pension Plan windup. Should I retire?**

There is no reason to retire as it relates to the potential Pension Plan windup. Pension Plan participants in the DB components of the plan will keep what they've earned to date in their DB plans and they will enjoy Defined Contribution (DC) benefits starting July 1, 2022. Participants who are age 55 or older could start collecting their Defined Benefit pension while continuing to work and accumulating funds in the Defined Contribution Pension Plan. Participants who are under age 55 will be able to start their Defined Benefit pension when they reach age 55 or older, while continuing to work and accumulating funds in the Defined Contribution Pension Plan. For eligibility questions please reach out to the Defined Benefit Pension Centre at 1-844-565-2280.

**52. Will reductions apply if I retire before age 60, but defer starting my monthly pension until age 60?**

It's important to know that early retirement reductions will remain the same and will not change as a result of the wind-up.

**[DB only]**





If you choose to start your pension before age 60, your monthly payments will be reduced by 3% a year for each year you are in receipt of payment before you reach age 60 if:

- You are eligible for grow-in; or
- You are at least 55 years old as of the wind-up date

No reductions will apply if you retire early but wait until age 60 to start receiving your monthly pension.

For example, if you retire at age 55, but start receiving your pension at age 59, there will be a reduction for 1 year, until you reach age 60, to reflect the fact that you will receive your pension for a longer period of time.

If you have service in a prior plan with BP, Petrofina or Gulf, your pension entitlement under those plans may have a different age for when you can start an unreduced pension.

#### **[DB-DC]**

If you choose to start your pension before age 60, your monthly payments will be reduced by 5% a year for each year you are in receipt of payment before you reach age 60 if:

- You are eligible for grow-in; or
- You are at least 55 years old as of the wind-up date

No reductions will apply if you retire early but wait until age 60 to start receiving your monthly pension.

For example, if you retire at age 55, but start receiving your pension at age 59, there will be a reduction for 1 year, until you reach age 60, to reflect the fact that you will receive your pension for a longer period of time.

If you have service in a prior plan with BP, Petrofina or Gulf, your pension entitlement under those plans may have a different age for when you can start an unreduced pension.



**53. Does my election for my DB benefits effect my post-retirement health and dental benefits?**

All employees will remain eligible for the HF Sinclair health and dental retirement plan if they meet the age and service requirements at the time of retirement. For those who are eligible to select between the legacy retiree plans and the HF Sinclair retiree plan, in order to remain eligible for the legacy plans, the annuity option would need to be selected. Employees who shoes the lump sum option would not be eligible for the legacy retiree plan and only be eligible for the HF Sinclair retiree plan. If you are unsure which plans you are currently eligible for please contact [Benefits@HFSinclair.com](mailto:Benefits@HFSinclair.com).

## **My entitlements under the DB Plan**

**54. How will the wind-up affect my bridge benefit? Will it still be available to me after June 30, 2022?**

The wind-up will not change any of your entitlements with respect to bridge benefits. If you are entitled to one today, you will remain entitled to one after the wind-up. It will be included in your annuity purchase if you choose that option. If you choose to receive your DB pension benefit as a lump sum, the value of your bridge benefit will be included in your lump sum amount.

**55. Are the guarantee periods for DB benefits changing as a result of the wind-up?**

No. Guarantee periods will remain the same. Just like today, you will be able to choose from the same set of options on the form of payment you'd like to receive when you're ready to retire.

## **Changes to the defined contribution (DC) plan**

### **What's happening?**

**56. What's happening with the DC plan?**

Over the next few years, we're introducing the following changes:

- Effective January 1, 2021, we will launch a new DC plan (the New DC Plan) – if you participate in the DC plan today, all contributions to your PRA after this date will be directed to a new PRA account in the New DC Plan
- We'll apply to FSRA for approval to transfer your current PRA account to your new PRA account under the New DC Plan
- Throughout 2021, you'll need to manage two PRA accounts



- This transfer will not create a taxable event
- Starting July 1, 2022, all employees will have the same contribution formulas for the PRA and Savings Plan
- If you have a Savings Plan account, it will not be affected by the setup of the New DC Plan. Your Savings Plan contribution formula will change, effective July 1, 2022, once you start to participate in the DC-only plan
- There are no changes to the contribution formulas for the PRA and Savings Plan accounts for employees who currently participate in the DC-only plan and who do not currently have any DB benefits

There is no impact to your DC account balances as a result of these changes.

#### **57. Why is HF Sinclair setting up a new defined contribution (DC) plan?**

In light of the changing Canadian pension landscape, we have decided to pursue a wind-up of the DB component of our pension plan.

Per Ontario regulations, we require a new, standalone DC pension plan (without a DB component) to proceed with the wind-up. Creating our new plan, effective January 1, 2021, is an important step in our move towards a single DC pension offering for all of our employees.

#### **58. What do I need to do to enrol in the New DC Plan?**

##### **[DB only]**

In early to mid-2022, you will need to enrol in the New DC Plan. Enrolment will be an online process, with instructions provided to you by Sun Life.

##### **[DB-DC and DC only]**

Later this fall, you will need to enrol in the New DC Plan. Enrolment will be an online process, with instructions provided to you by Sun Life. More information will be provided at a later date.

To complete your enrolment, you will need to:

- Open a new PRA account
- Decide how to invest the company contributions that will go into your new PRA starting January 1, 2021
- Designate beneficiary(ies) for your new PRA



As a reminder, you will still need to manage your current PRA account until it is merged with your new PRA account sometime in late 2021. This means you will need to make investment changes separately for both accounts; any changes you make to one account will not automatically apply to the other.

Enrolment is a good opportunity to review your optional contribution amount. Remember, you must contribute at least 10% to your Savings Plan account to get the maximum amount from the company.

## How the New DC Plan works and compares to my current plan

### 59. How do contributions to the Personal Retirement Account (PRA) and Savings Plan work under the New DC Plan?

As of July 1, 2022, all employees will receive a base company contribution from HF Sinclair that depends on years of service with the company. All base company contributions will be directed to a Personal Retirement Account (PRA) in your name, each pay period:

Years of service	Company contribution (% of base pay)
Less than 5	5%
5 to 9	6%
10 to 14	8%
15 or more	9%

You also continue to have the option of making contributions to your Savings Plan account. You will receive a 100% match from the company on the first 5% you put in, *plus* an additional 0.5% for every 1% more you contribute up to 10% of your base pay. The first 5% of the company match goes into your Savings Plan account, and the next 2.5% to your Personal Retirement Account (PRA).

If you take full advantage of this match, HF Sinclair will contribute a total of 7.5% extra each pay period on top of the base company contribution:

#### Savings Plan

Employee contribution (% of base pay)	HF Sinclair match (% of base pay)		
	To your Savings Plan account	To your PRA	Total
1%	1%	0%	1%



2%	2%	0%	<b>2%</b>
3%	3%	0%	<b>3%</b>
4%	4%	0%	<b>4%</b>
5%	5%	0%	<b>5%</b>
6%	5%	0.5%	<b>5.5%</b>
7%	5%	1%	<b>6%</b>
8%	5%	1.5%	<b>6.5%</b>
9%	5%	2%	<b>7%</b>
10-30%	5%	2.5%	<b>7.5%</b>

**60. How do the new contributions formulas compare to what I have today?**

**[DB-DC]**

The New DC Plan will provide you with an improved base company contribution to your PRA:

Years of service	Company contribution (% of base pay)	
	Today	New DC Plan, effective July 1, 2022
Less than 5	1%	5%
5 to 9	1%	6%
10 to 14	1%	8%
15 or more	1%	9%

The New DC Plan will also provide you with savings opportunities, with a lower company match for your contributions above 2% of your pay and below 5% of your pay:

**Savings Plan**

Employee contribution (% of base pay)	HF Sinclair matching contributions to your PRA and Savings Plan combined (% of base pay)	
	Today	New DC Plan, effective July 1, 2022
1%	1%	1%
2%	2%	2%
3%	3.5%	3%
4%	5%	4%
5%	6.5%	5%
6%	7%	5.5%
7%	7.5%	6%
8%	8%	6.5%
9%	8.5%	7%
10-30%	9%	7.5%



**61. Where will company contributions go starting January 1, 2021?**

On January 1, 2021, we will launch the New DC Plan. As of that date, company PRA contributions (base and matching) will be directed to a new PRA account in your name, in the New DC Plan. The company Savings Plan contributions will continue to be deposited in your existing Savings Plan account.

Your existing PRA account will remain in the current DC plan until we receive regulatory approval to transfer it to the New DC Plan. Until that time, you will need to manage two accounts.

**62. Will there be any changes to fees or the investment line-up?**

As of right now, we are not planning on making any changes to fees or the investment options we offer under the plan.

While there are no changes planned, as part of the Plan's governance, we negotiate lower-than-retail fees and we regularly review our investment line-up to ensure that funds perform optimally and that they continue to meet the investment needs of our plan members. Funds and fees may change in the future as the result of our regular due diligence.

## **Managing my PRA accounts**

**63. When will my PRA account under the current DC plan merge with my new PRA account under the New DC Plan?**

We expect to receive regulatory approval to merge your PRA accounts by late 2021. Until regulatory approval is received, you will need to manage both PRA accounts separately.

**64. Is it possible to merge the two accounts sooner?**

No. Regulatory approval is required before the accounts can be merged. This means that, until approval is received (expected for late 2021), you will need to manage both accounts separately. We will work as quickly as possible to get approval to merge the accounts.



**65. Will I have the opportunity to change my DC investment options? How often can I do that?**

Yes. You can change your selected funds at any point. It is recommended you only do this once a month to avoid incurring extra administration fees.

## More information

**66. What do I need to do?**

No action is needed at this time. You will receive more information about any actions you'll need to take as those events near. When the time comes, we do recommend reviewing any decisions you'll have to make concerning your DB pension benefits and your enrolment in the New DC Plan with a trusted financial advisor.

**67. Where can I go to get more information?**

**[DB only]**

If you have any additional questions, please contact HFC Benefits at [Benefits@HFSinclair.com](mailto:Benefits@HFSinclair.com) or the Defined Benefit Pension Centre at **1-844-565-2280**.

**[DB-DC]**

If you have any additional questions, please contact HFC Benefits at [Benefits@HFSinclair.com](mailto:Benefits@HFSinclair.com), Sun Life at **1-866-881-0583** for DC questions, or the Defined Benefit Pension Centre at **1-844-565-2280** for DB questions.

**[DC only]**

If you have additional questions, please contact HFC Benefits at [Benefits@HFSinclair.com](mailto:Benefits@HFSinclair.com) or Sun Life at **1-866-881-0583**.

**68. Can I get a copy of the employee information session or listen to one of the webinars?**

Yes. Please visit the [Canadian Pension Changes page](#) of the HF Sinclair Rewards website to download a copy of the employee information session presentation or webinar recording.

**69. What is the official Plan name, registration number and sponsor?**

Non-union employees participate in the Petro-Canada Lubricants Inc. Non-Union Pension Plan, registration number 1310655. Union employees participate in the Petro-Canada Lubricants Inc. Union Pension Plan, registration number 1310648. Petro-Canada Lubricants Inc. is the sponsor for both plans. The new DC Plan that all employees will



participate in as of July 1, 2022 is the HollyFrontier Canada Pension and Savings Plan, registration number is 1369537.

**70. Can I obtain a copy of the updated Pension Report for the Plan?**

Please contact [Benefits@HFSinclair.com](mailto:Benefits@HFSinclair.com) to get a copy of the last valuation report.

*While it is HF Sinclair's intent to provide benefits as outlined in this document, it reserves the right to further amend any of the Company's plans and programs in the future. This document contains only summary information about key features of the Plan and is not intended to replace the plan documents. In the event of a discrepancy between this document and the plan documents, the plan documents, including as revised, will be considered correct and will govern in all cases.*