JCPenney Supplemental Retirement Program

Plan Highlight - For benefits beginning after December 31, 2007

Eligibility

- You're eligible for the Supplemental Retirement Program (SRP or Plan) if you were a profit-sharing management Associate and less than age 60 on December 31, 1995.
- You must also be a profit-sharing management Associate on the date your employment ends to receive an SRP benefit.

How to Enroll

- Participation is automatic. You do not need to enroll.

Contributions

- No employee contributions are allowed. Benefits are unfunded and paid by the Company.

Vesting

- You vest in your benefit after reaching age 55 with 15 years of vesting service, or after reaching age 60.
- If you leave the company before age 55, or between ages 55 and 60 with less than 15 years of service, you receive **no benefit** from the Plan.

Benefits

- The goal of the SRP is to ensure that Company-provided retirement income from all sources will never fall below a target benefit level.
- Your retirement income target is a percentage, based on your years of credited service. The percentages are:
  - 3% for each of your first 10 full years of credited service
  - 1% for each of the next 20 full years of credited service, and
  - ½ % for each of the next 10 full and partial years of credited service.
- Your retirement income target is determined by multiplying your total retirement income target percentage by your *Average Final Earnings*.
- Your *Average Final Earnings* is the average of your three full or partial years of the highest earnings, taking into account the year in which your separation from service occurs and the previous nine full calendar years. Earnings generally mean your pay recognized by the Pension Plan without any government-imposed limits. Incentive compensation is not recognized in the year it is paid to you, but it is included in your earnings for the prior year.
- The value of all other Company-provided retirement income is then subtracted from your retirement income target to get your SRP benefit.
- If you separate from service between ages 60 and 65, your benefit cannot be less than the amount of the Early Retirement reduction to your Pension Plan benefit.
- If you separate from service after you reach age 60, and before you reach age 62, you also qualify for a Social Security make-up benefit until you turn age 62. The Social Security make-up benefit is equal to your estimated primary monthly age-62 Social Security benefit.
- If you separate from service between ages 55 and 60 and have at least 15 years of service, you may qualify for an Early Retirement benefit, which reduces your retirement income target by .3333% for each month between your separation from service date and the 1st of the month after your 60th birthday.
- If your employment ends due to a summary dismissal, or if you resign instead of receiving a summary dismissal, you lose the right to all benefits under the SRP.

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Distributions

- With the exception of specified employees, as described in the next bullet, your SRP benefit will be paid in the form of five annual installments with the first payment beginning on the first of the month following your separation from service. Subsequent payments for all participants, including specified employees, will be paid on the anniversary date of the first day of the month after you separate from service.
- Specified employees will receive their first installment payment beginning on the first day of the seventh month following your separation from service. Specified employees are the top 50 officers earning compensation in excess of $130,000 (as indexed annually).
- The total amount of your five annual installments involves a present value calculation based on an interest rate and mortality table required for the Pension Plan by the Pension Protection Act of 2006.
- Distributions must continue for participants in pay status who are rehired.
- A single lump sum payment will be issued to you if the aggregate amount of your SRP and Benefit Restoration Plan (BRP) balance totals $15,500 or less (as indexed annually), and you do not have a Mirror Savings Plan balance.
- If you're married at the time of your death and die while you're employed, your spouse will receive your installment payments. If you're not married and you die while you're employed, no SRP benefit will be paid to your estate or heirs.
- In the event of your death after benefit payments have begun, any remaining installment payments will be paid to your beneficiary.

Life Insurance

- When you retire at or after age 60, your SRP Company-Paid Term Life Insurance continues until you reach age 70. Coverage is reduced 10% for each year after age 60.

Taxes

- Plan payments are subject to federal income taxes and applicable state taxes each year you receive an installment payment.
- FICA and Medicare taxes related to your entire benefit amount will be withheld from your first installment payment.
- Plan payments are not eligible for rollover or special tax treatment such as income averaging.
- This document is not intended to provide personal tax or financial advice. Please contact your personal tax or financial advisor for personal tax or financial information.

Claims and Appeals

- If you believe you have been improperly denied a benefit or eligibility for the Plan, in whole or in part, you or your representative should submit your written claim to the JCPenney - Benefits Determination Review Team (BDRT) at 100 Half Day Road, Lincolnshire, IL 60069-1407. Your written claim should include the name of the Plan, the reasons you believe your eligibility or benefits may have been improperly denied and the Plan provision on which your claim is based. You may submit your claim on the Claim Initiation Form, available by calling PowerLine at 1-888-890-8900.
- The BDRT will respond within 60 days of receipt of your claim (or within 120 days when special circumstances require more time). You'll be notified before the end of the 60-day period if an extension is required.
- If your claim is denied, in whole or in part, the BDRT will provide you with a written claim denial containing information concerning the Plan provision on which the denial is based, any additional information you may need to provide to perfect your claim, any relevant documents or information reviewed in making its decision, your appeal rights, and your right to file suit under the Employee Retirement Income Security Act of 1974 (ERISA).
- If your claim is denied, you may appeal in writing to the Benefits Administration Committee (BAC) within 60 days after you receive notice of your denied claim. To submit your appeal, write to the Benefits Administration

Committee, J.C. Penney Corporation, Inc., 6501 Legacy Drive, MS 8802, Plano, Texas 75024. Your written appeal should include the name of the Plan, the reasons you believe your eligibility or benefits may have been improperly denied, and the Plan provision on which your appeal is based.

- Before submitting your appeal, you may request access to, or a copy of, any relevant documents or information relied upon by the BDRT in making its determination.
- You may also supply the BAC with additional comments, records or new information you want to be considered as part of your appeal.
- The BAC will notify you of its final decision in writing within 60 days of receipt of your appeal (or within 120 days when special circumstances require more time). You'll be notified before the end of the 60-day period if an extension is required.
- A denial will cite the Plan provision on which the decision was based, notify you of your right to request any document or information relevant to your appeal, and notify you of your right to file suit under ERISA.
- You must complete all levels of the claims and appeals process before you can pursue an ERISA claim in court.
- The decision of the BAC is final and binding on you and anyone filing a claim or appeal for you or through you (example a beneficiary).

Further Information

- The Plan is an unfunded, non-qualified deferred compensation plan intended to cover a select group of management or highly compensated employees as provided under ERISA.
- This document highlights the main features of the Plan and is not intended to explain all aspects of the Plan in detail. Because this document only provides highlights of the Plan, your rights and obligations are governed exclusively by the legal Plan document. The Plan document for the Plan will govern over any inconsistency with this document.
- For more information about the Plan or to make a beneficiary designation, log onto www.jcpenneypowerline.com or call PowerLine at 1-888-890-8900.
- For a copy of the Plan document write to J.C. Penney Corporation, Inc., 6501 Legacy Drive, Mail Stop 1104, Plano, Texas 75024. Your request should include the full name of the Plan.

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