



January 2008

## The 401(k) Savings Plan now offers **more investment choices for everyone!**

### We have exciting news for March 1

We heard your requests. And the JCPenney 401(k) Savings Plan\* is changing to better meet YOUR needs!

► **You don't have to take any action, unless you want to change your investments before February 29.**

► **What can you expect to find in your 401(k) Savings Plan on March 1?**

- **A wider variety of investment choices**
- **Well-known investment options**
- **A new Self-Directed Brokerage Window**
- **Online advice or low-cost professional account management from Financial Engines Advisors, L.L.C.**

#### **Don't Miss** this information!

- If you're not sure how you're invested, go to *Your Benefits Homepage* from the Associate Kiosk and click on Savings and Pension. If you're a former Associate, log on to [www.jcpenneypowerline.com](http://www.jcpenneypowerline.com).
- If you're an active Associate, but not investing, here's how to enroll. See page 5.
- You can work with Financial Engines in two ways. See page 6.

Puede consultar esta guía de Cambios al Plan de ahorros en línea y leerla o imprimirla.

- Ingrese a Associate Kiosk y regístrese.
- Haga clic sobre "Search Policies and Procedures".
- Seleccione "Cambios al Plan de ahorros 2008" en el menú de Human Resources/Benefits.

**Please read this guide carefully and keep it handy.**

\* J.C. Penney Corporation, Inc. Savings, Profit-Sharing and Stock Ownership Plan, referred to as the 401(k) Savings Plan.

**In the past, your 401(k) Savings Plan offered mutual funds only. Now, you'll be able to choose Target Retirement Trusts, mutual funds, or even a brokerage account to work toward your retirement savings goals!**

## ► **Tier 1 Funds Are Being Replaced** with Target Retirement Trusts managed by Vanguard®

### **New Target Retirement Trusts**

VFTC<sup>†</sup> Retirement Income Trust II  
 VFTC Target Retirement 2005 Trust II  
 VFTC Target Retirement 2010 Trust II  
 VFTC Target Retirement 2015 Trust II  
 VFTC Target Retirement 2020 Trust II  
 VFTC Target Retirement 2025 Trust II

VFTC Target Retirement 2030 Trust II  
 VFTC Target Retirement 2035 Trust II  
 VFTC Target Retirement 2040 Trust II  
 VFTC Target Retirement 2045 Trust II  
 VFTC Target Retirement 2050 Trust II

<sup>†</sup>Vanguard Fiduciary Trust Company (VFTC)

## How does a Target Retirement Trust Work?

**Target Retirement Trusts** manage risk and investment return over time by changing the mix of stocks, bonds and short-term reserves as the target year (retirement) gets closer. The investment is more aggressive in earlier years and more conservative in later years.

One Target Retirement Trust is all you need. Choose the trust that is closest to the year you plan to retire, and you can be done with investing decisions! See pages 7 and 8 for more information.

## What will happen to your investments in Tier 1 Funds?

If you currently have savings in any of the Tier 1 funds, your investment will map (move) into one of the new VFTC Target Retirement Trusts, according to your age. You don't need to take any action – unless you want your savings to go into the Tier 2 funds. **If you want your savings moved into Tier 2 funds before they're mapped into a Target Retirement Trust, you must transfer your investment by 3:00 p.m. Central time on February 29, 2008.** Go to *Your Benefits Homepage* from the Associate Kiosk (or log in to PowerLine at [www.jcpenneypowerline.com](http://www.jcpenneypowerline.com)). PowerLine specialists are also available at **1-888-890-8900** to accept your request. Otherwise, your investments will map as shown in the table on page 3. You can make changes in your investments any time after March 1, 2008, even if they've been mapped.

### What's "Mapping"?

Mapping means the dollars you have in one fund will move into a different fund. It happens overnight, so your dollars are in the new investment on the next day.

### Here's how the Tier 1 Funds will map into new VFTC Target Retirement Trusts

If you now have any money invested in these Tier 1 funds...	And you were born...	Your money will move to this Target Retirement Trust – based on your age
Aggressive Fund Moderate Fund Conservative Fund Horizon Fund  <b>Your assumed retirement age is 65.</b>	1983-1989	VFTC Target Retirement 2050 Trust II
	1978-1982	VFTC Target Retirement 2045 Trust II
	1973-1977	VFTC Target Retirement 2040 Trust II
	1968-1972	VFTC Target Retirement 2035 Trust II
	1963-1967	VFTC Target Retirement 2030 Trust II
	1958-1962	VFTC Target Retirement 2025 Trust II
	1953-1957	VFTC Target Retirement 2020 Trust II
	1948-1952	VFTC Target Retirement 2015 Trust II
	1943-1947	VFTC Target Retirement 2010 Trust II
	1937-1942	VFTC Target Retirement 2005 Trust II
	Before 1937	VFTC Retirement Income Trust II

## ► Tier 2 Investments **Are Not Changing**

Tier 2 funds (as listed below) will continue to be managed by State Street Global Markets. If you have investments in these funds, your investment will not change. **You don't need to take any action.**

JCPenney Common Stock Fund  
S&P 500 Fund  
Russell 1000 Growth Fund  
Russell 1000 Value Fund

Russell 2000 Fund  
EAFE\* Fund  
Intermediate Bond Fund  
Interest Income Fund

\*Europe, Asia and Far East Fund

## ► Tier 3 Investments **Are Being Eliminated**

### **Assets will map (move) into Tier 2 Funds**

If you currently have investments in any of the Tier 3 funds (as shown in the table on page 4), your balances will map (move) into Tier 2 funds, effective February 29, 2008. **You don't need to take any action – unless you don't want your savings to go into Tier 2 funds.** For example, if you currently own Fidelity Dividend Growth Fund, and you don't want your savings moved to the Tier 2 S&P 500 Fund, you must transfer your investment into a different Tier 2 or Tier 3 fund by 3:00 p.m. Central time on **February 29, 2008**. Go to *Your Benefits Homepage* from the Associate Kiosk (or log in to PowerLine at [www.jcpennypowerline.com](http://www.jcpennypowerline.com)). PowerLine specialists are also available at **1-888-890-8900** to accept your request. Otherwise, your savings will map as shown in the table on page 4. You can make changes in your investments at any time after March 1, 2008, even if they've been mapped.

### Here's how the Tier 3 Funds will map into Tier 2 Funds

If you now have any money invested in these Tier 3 funds...	Your money will move into Tier 2 Funds with similar investment styles
Fidelity Dividend Growth Fund	S&P 500 Fund
T. Rowe Price Blue Chip Growth Fund	S&P 500 Fund
American Century Growth Investment Fund	Russell 1000 Growth Fund
Vanguard Growth Equity Fund	Russell 1000 Growth Fund
Vanguard Equity Income Fund	Russell 1000 Value Fund
T. Rowe Price Small Cap Stock Fund	Russell 2000 Fund
Dreyfus Founders Discovery Fund	Russell 2000 Fund
T. Rowe Price Small Cap Value Fund	Russell 2000 Fund
American Century International Growth Fund	EAFE* Fund
Fidelity Diversified International Fund	EAFE* Fund

\*Europe, Asia & Far East Fund

## ► A New **Self-Directed Brokerage Window** Option Becomes Available

You can buy mutual funds, stocks and bonds in your Savings Plan brokerage account. This approach is different from the investment options in Tier 1 and Tier 2. In the Self-Directed Brokerage Window you're the driver, and it will be up to you to steer a clear course toward retirement.

### Before you decide to invest in the brokerage account, ask yourself:

- Am I looking for more choices than I have with Tier 1 and Tier 2 investment options?
- Am I interested in spending time to research, choose and manage my investments?
- Am I willing to have extra costs to buy and sell investments in my Savings Plan brokerage account?
- Am I comfortable taking on potentially more risk?
- Can I stay invested for the long term?

**If this doesn't sound like you, a brokerage account may not be your best style of investing for retirement.** Take another look at Tier 1 and Tier 2 if you want to make changes to your Savings Plan investments.

### If you open a brokerage account, here's how it will work:

- Enroll online from the PowerLine Web site on, or after, March 1
- Start with at least a \$1,000 investment
- Begin investing within 2-3 business days
- Make added investments of \$1,000 or more
- After you enroll, you'll receive a Welcome Kit

## ► Now that we've covered changes to the Savings Plan – see how the Plan can **work best for YOU!**

**How do YOU like to invest?** The new Savings Plan offers more investment choices!

Beginner	Moderate	Advanced
<p>If you're a "hands-off" investor, new <b>Target Retirement Trusts</b> are an easy choice. Decide once. You're done!</p> <p>OR – you might want the <b>Financial Engines Personal Asset Manager</b> to manage your investments for you. See page 6.</p>	<p><b>Tier 2 Funds</b> offer a mix of investment funds for your personal choice. You can diversify to spread your risk.**</p> <p>You can get online investment advice with the <b>Financial Engines Personal Online Advisor</b>. See page 6.</p>	<p>If you're a fully "hands-on" investor, the new <b>Self-Directed Brokerage Window</b> may be right for you. See page 4.</p>

If you've been with the Company for less than one year and have not enrolled in the Savings Plan, read below for more information.

\*\* **Diversify** means to choose investments that have different levels of risk. For example: stock funds and bond funds. When one investment is not doing well, the others may be doing better.

## ► If you're an active Associate, but not investing – **start now!**

**Any Associate age 21 or over can invest in the Savings Plan, no matter how long you've been with the Company or how many hours you work.** You can make contributions right away or roll money from a previous employer's qualified retirement plan. When you contribute to the Savings Plan, your pre-tax contributions go in before taxes are taken out of your pay. This lets you save more, with less change to your take-home pay, than if you were saving with after-tax dollars. And your savings grow tax-deferred, until you take them out at retirement – when you may have a lower tax rate. You can make after-tax contributions, too. Go to *Your Benefits Homepage* from the Associate Kiosk to see *Your Benefits Book 2 – Savings Plan*.

## Here's how the Company match works

For active Associates the Company will match your Savings Plan contributions for each pay period at \$.50 on the dollar, up to 6% of your earnings. You need to have completed one year of service and have reached age 21 to earn eligibility for Company matching contributions.

## How do you **enroll in the Savings Plan?**

Active Associates can enroll now! Go to *Your Benefits Homepage* from the Associate Kiosk. Or call PowerLine at **1-888-890-8900**.

## What if you do nothing before February 29?

- **If you have investments in Tier 1 funds, they'll map automatically as shown in the table on page 3.**
- **If you have investments in Tier 3 funds, they'll map automatically as shown in the table on page 4.**
- **If you haven't enrolled in the Savings Plan, now is the time to consider saving for retirement!**

## Want to know more about **Financial Engines?**

If you want help making investment decisions, you can work with Financial Engines. Financial Engines is an independent, registered investment advisor that does not sell investments or receive commissions for the funds it recommends – your successful retirement is their number one goal. The Company offers advice services to millions of employees at hundreds of companies. Financial Engines, Inc. was founded in 1996 by Nobel Prize-winning economist Bill Sharpe.

### **JCPenney offers two services from Financial Engines Advisors L.L.C.**

#### **1. You Can Get Online Advice – at No Added Cost to your Savings Plan Account**

**Personal Online Advisor** offers advice if you're actively managing your own account, but need a little help. Log in for a personal forecast to see how much your investments may be worth when you retire. You can also get specific advice about which investments to choose and how much to invest in each one. You can test the impact of different contributions, risk levels and retirement goals, or see how other investments may affect your retirement strategy.

Personal Online Advisor is available for you to use at no added cost, as part of your retirement plan benefits at JCPenney. Go to *Your Benefits Homepage* from the Associate Kiosk (or log in to [www.jcpennypowerline.com](http://www.jcpennypowerline.com)) and click the link to "Financial Engines."

#### **2. Financial Engines Will Manage Your Investments – for an Added Fee**

**Personal Asset Manager** offers peace of mind because financial professionals are managing your savings for you. Financial Engines will analyze the funds in your plan and choose a personal mix designed for you. They handle all the transactions to put your investment strategy into action and manage your account over time to help keep you on track. You can speak with an Investment Adviser Representative whenever you have questions, or if you want to tailor management of your account even more to fit your unique needs.

The fee for Personal Asset Manager is just 0.45% of your Savings Plan account balance each year, less than half of one percent, with discounts for larger balances. The fee is taken directly from your Savings Plan account, so there are no bills to pay and no change in your take-home pay. To learn more, visit [www.financialengines.com/forJCP](http://www.financialengines.com/forJCP) or call an Investment Adviser Representative toll-free at **1-800-601-5957**.

# Your Investment Options on March 1

## VFTC Target Retirement Income Trust II



Seeks current income and some capital appreciation by investing in seven Vanguard funds—Total Bond Market Index Fund, Total Stock Market Index Fund, Inflation-Protected Securities Fund, Prime Money Market Fund, European Stock Index Fund, Pacific Stock Index Fund, and Emerging Markets Stock Index Fund—that collectively make up an asset allocation of 65% bonds, 30% stocks, and 5% short-term reserves (reserves are cash and cash-type securities). The trust is designed for investors currently in retirement. It includes slightly more short-term reserves than the VFTC Target Retirement 2005 Trust II.

## VFTC Target Retirement 2005 Trust II



Seeks current income and capital appreciation by investing in seven Vanguard funds—Total Bond Market Index Fund, Total Stock Market Index Fund, Inflation-Protected Securities Fund, European Stock Index Fund, Pacific Stock Index Fund, Emerging Markets Stock Index Fund, and Prime Money Market Fund—that collectively make up an asset allocation of roughly 54% bonds, 45% stocks, and 1% short-term reserves (reserves are cash and cash-type securities). The trust's asset allocation will become more conservative over time. The trust is designed for investors who retired between 2003 and 2007.

## VFTC Target Retirement 2010 Trust II



Seeks current income and capital appreciation by investing in six Vanguard funds—Total Stock Market Index Fund, Total Bond Market Index Fund, European Stock Index Fund, Pacific Stock Index Fund, Emerging Markets Stock Index Fund, and Inflation-Protected Securities Fund—that collectively make up an asset allocation of roughly 55% stocks and 45% bonds. As the retirement date approaches, the trust's asset allocation will become more conservative. The trust is designed for investors planning to retire between 2008 and 2012.

## VFTC Target Retirement 2015 Trust II



Seeks current income and capital appreciation by investing in five Vanguard funds—Total Stock Market Index, Total Bond Market Index Fund, European Stock Index Fund, Pacific Stock Index Fund, and Emerging Markets Stock Index Fund—that collectively make up an asset allocation of roughly 64% stocks and 36% bonds. As the retirement date approaches, the trust's asset allocation will become more conservative. The trust is designed for investors planning to retire between 2013 and 2017.

## VFTC Target Retirement 2020 Trust II



Seeks current income and capital appreciation by investing in five Vanguard funds—Total Stock Market Index Fund, Total Bond Market Index Fund, European Stock Index Fund, Pacific Stock Index Fund, and Emerging Markets Stock Index Fund—that collectively make up an asset allocation of roughly 71% stocks and 29% bonds. As the retirement date approaches, the trust's asset allocation will become more conservative. The trust is designed for investors planning to retire between 2018 and 2022.

## VFTC Target Retirement 2025 Trust II



Seeks current income and capital appreciation by investing in five Vanguard funds—Total Stock Market Index Fund, Total Bond Market Index Fund, European Stock Index Fund, Pacific Stock Index Fund, and Emerging Markets Stock Index Fund—that collectively make up an asset allocation of roughly 79% stocks and 21% bonds. As the retirement date approaches, the trust's asset allocation will become more conservative. The trust is designed for investors planning to retire between 2023 and 2027.

## VFTC Target Retirement 2030 Trust II



Seeks current income and capital appreciation by investing in five Vanguard funds—Total Stock Market Index Fund, Total Bond Market Index Fund, European Stock Index Fund, Pacific Stock Index Fund, and Emerging Markets Stock Index Fund—that collectively make up an asset allocation of roughly 87% stocks and 13% bonds. As the retirement date approaches, the trust's asset allocation will become more conservative. The trust is designed for investors planning to retire between 2028 and 2032.

## VFTC Target Retirement 2035 Trust II



Seeks current income and capital appreciation by investing in five Vanguard funds—Total Stock Market Index Fund, Total Bond Market Index Fund, European Stock Index Fund, Pacific Stock Index Fund, and Emerging Markets Stock Index Fund—that collectively make up an asset allocation of roughly 90% stocks and 10% bonds. As the retirement date approaches, the trust's asset allocation will become more conservative. The trust is designed for investors planning to retire between 2033 and 2037.

## VFTC Target Retirement 2040 Trust II



Seeks current income and capital appreciation by investing in five Vanguard funds—Total Stock Market Index Fund, Total Bond Market Index Fund, European Stock Index Fund, Pacific Stock Index Fund, and Emerging Markets Stock Index Fund—that collectively make up an asset allocation of roughly 90% stocks and 10% bonds. As the retirement date approaches, the trust's asset allocation will become more conservative. The trust is designed for investors planning to retire between 2038 and 2042.

### VFTC Target Retirement 2045 Trust II



Seeks current income and capital appreciation by investing in five Vanguard funds—Total Stock Market Index Fund, Total Bond Market Index Fund, European Stock Index Fund, Pacific Stock Index Fund, and Emerging Markets Stock Index Fund—that collectively make up an asset allocation of roughly 90% stocks and 10% bonds. As the retirement date approaches, the trust's asset allocation will become more conservative. The trust is designed for investors planning to retire between 2043 and 2047.

### VFTC Target Retirement 2050 Trust II



Seeks current income and capital appreciation by investing in five Vanguard funds—Total Stock Market Index Fund, Total Bond Market Index Fund, European Stock Index Fund, Pacific Stock Index Fund, and Emerging Markets Stock Index Fund—that collectively make up an asset allocation of roughly 90% stocks and 10% bonds. As the retirement date approaches, the trust's asset allocation will become more conservative. The trust is designed for investors planning to retire between 2048 and 2053.

### JCPenney Common Stock Fund

Provides participants with an opportunity for ownership in the Company and for participation in the investment performance of Penney Common Stock. You buy a "unit of participation" in the fund, which is made up of Penney Common Stock and cash (needed to fill transfers, withdrawals, etc.). Each "unit" also shares the fund's gains, losses, income and expenses, so the investment return of the fund may not be identical to the investment return of Penney Common Stock.

### S&P 500 Fund

Seeks to closely match the rate of return of the S&P 500 Index. Fund investments include U.S. common stocks of the S&P 500 Index (composed of 500 large cap stocks).

### Russell 1000 Growth Fund

Seeks to closely match the rate of return of the Russell 1000 Growth Index. Fund investments include U.S. common stocks of the Russell 1000 Growth Index (composed of 500 large cap growth stocks).

### Russell 1000 Value Fund

Seeks to closely match the rate of return of the Russell 1000 Value Index. Fund investment includes U.S. common stocks of the Russell 1000 Value Index (composed of 700 large cap value stocks).

### Russell 2000 Fund

Seeks to closely match the rate of return of the Russell 2000 Index. Fund investments include common stocks of the Russell 2000 Index (composed of 2,000 small cap broad market stocks).

### EAFE Fund

Seeks to closely match the rate of return of the EAFE Index. Fund investment includes Non-U.S. common stocks of the Morgan Stanley EAFE Index (composed of 1,000 stocks in 21 countries in Europe, Asia and the Far East).

### Intermediate Bond Fund

Seeks to outperform the Lehman Brothers Intermediate Government/Credit Bond Index. Fund investments include State Street Global Advisors Intermediate Bond Fund (composed of high-quality bonds with an average credit rating of AA to BBB by Standard & Poor's with maturities of 1 to 99 years).

### Interest Income Fund:

Seeks to generate a modest rate of return while preserving the value of your investment.

Fixed income instruments, such as contracts issued by insurance companies, banks, and other financial institutions, and contracts supported by high-quality bonds such as U.S. government agency borrowings, asset-backed securities, corporate debt, guaranteed investment contracts (GIC) and structured investment contracts (SIC).

### Self-Directed Brokerage Window

With a self-directed brokerage account, you'll have access to over 250 mutual fund families, more than 10,000 publicly traded companies, fixed-income investment families such as U.S. government securities, CDs and more. In addition, more than 3,500 of the mutual funds from which you may choose are available with no loads, or waived loads and no transaction fees. There are certain securities in which you cannot invest through your Self-Directed Brokerage Window, including Penney Common Stock and the Tier 1 or Tier 2 funds that are offered in the Savings Plan.

A Self-Directed Brokerage Window is not for everyone. If you're a sophisticated investor who is willing to take on potentially more risk, and you're prepared to assume the responsibility of more closely monitoring this portion of your portfolio, it could be ideal for you. However, if you do not feel comfortable actively managing a portfolio beyond those offered by the plan's standard investment options, then a self-directed brokerage window may not be appropriate for you. Remember it's always your responsibility to ensure that the options you select agree with your goals for retirement savings.

Stocks Bonds Short-Term Reserves

*Although Target Retirement Trusts can simplify investment selection, all investing is subject to risk. Diversification does not ensure a profit or protect against a loss in a declining market. Each Target Retirement Trust invests in up to seven broadly diversified Vanguard funds and is subject to the risks associated with those underlying funds.*

This information is intended to be a summary of your benefits and does not include all plan provisions, limitations and exclusions. If there is a discrepancy between this document and the official plan document, the plan document will govern. The description of the 401(k) Savings Plan is not intended as an employment contract nor a guarantee of current or future employment. The Company reserves the right to modify, amend, suspend or terminate the plan at any time.