jcp
benefits

Automatic Enrollment and Default Investment Notice

J.C. Penney Corporation, Inc. Savings, Profit-Sharing, and Stock Ownership Plan ("Plan")

You are receiving this notice because you are a participant or may become a participant in the J.C. Penney Corporation, Inc. Savings, Profit-Sharing and Stock Ownership Plan (referred to as the 401(k) Savings Plan.) Participants who have been (or may be) automatically enrolled in the Plan as well as participants who have (or may have) assets invested in the Plan's default investment fund, The Vanguard Target Retirement Trust, are required to receive this notice annually. No action is mandatory on your part, although at minimum an annual review of your retirement portfolio is suggested.

J.C. Penney Corporation, Inc. (Company) makes saving for retirement under our 401(k) Savings Plan even easier. The Plan offers an automatic enrollment feature and provides for Company matching contributions.

The automatic enrollment feature won't change your contribution level if you already submitted a contribution election through PowerLine. Instructions for accessing PowerLine, jcpenney's Benefits website, are at the end of this document. Your earlier election will continue to be followed, and matching contributions will be made based on your contribution level. You can change your contribution level by submitting a new contribution election through PowerLine at any time. Matching contributions will then be based on your new contribution level.

If you have not turned in a contribution election, you will be automatically enrolled in the Plan starting with your first paycheck after you have attained age 21, completed one year of employment, and worked 1,000 hours. This means that amounts will be taken from your pay and contributed to the Plan. These automatic contributions will be 4% of your eligible pay each pay period if you are automatically enrolled in the Plan on or after January 1, 2005. If you were automatically enrolled in the Plan prior to January 1, 2005 your automatic contributions are 3% of your after-tax eligible pay each pay period. But, you can choose a different amount. You can choose to contribute more, less, or even nothing.

Keep in mind that the Company will match 50 cents for each dollar you contribute that is between 1% and 6% of your eligible pay. So, to get the most from these matching contributions, you must contribute at least 6% of your eligible pay each pay period. This is more than the 4% automatic contribution rate. It may also be more than your current contribution rate.

This notice gives you important information about some Plan rules, including the Plan's automatic enrollment feature and Company matching contributions. The notice covers these points:

1. **Whether the Plan's automatic enrollment feature applies to you;**
2. **What amounts will be automatically taken from your pay and contributed to the Plan;**
3. **What other amounts the Company will contribute to your Plan account;**
4. **How your Plan account will be invested;**
5. **When your Plan account will be vested (that is, not lost when you leave your job), and when you can get your Plan account; and**
6. **How you can change your contributions.**

You can find out more about the Plan in another document, the Plan's Summary Plan Description (SPD). You can access the 401(k) Summary Plan description through PowerLine and clicking on the Plan Information box on the homepage or calling PowerLine directly.

1. Does the Plan's automatic enrollment feature apply to me?

The Plan's automatic enrollment feature generally will not apply to you if you already elected (through PowerLine) to make contributions to the Plan or to not contribute. If you made an election, your contribution level will not automatically change. But, you can always change your contribution level by submitting a new contribution election on the PowerLine website.

If you have not elected a contribution level, you will be enrolled in the Plan starting with your first paycheck after you have attained age 21, completed 1 year of employment, and worked 1,000 hours. This means money will be automatically taken from your pay and contributed to your Plan account. If you do not want to be enrolled, you need to submit your contribution election through the PowerLine website and indicate a 0% contribution election by the date outlined in your eligibility kit.

If you were hired or rehired on or after January 1, 2007, have attained age 21, completed one year of employment, and worked 1,000 hours, you will be automatically enrolled in the Plan even if you have elected not to contribute to the Plan only for the purpose of receiving from the Company a Retirement Account Contribution. This Retirement Account Contribution is equal to 2% of your pay and is a Company contribution toward your retirement. No amount will be taken from your pay in connection with this Company contribution. In order to receive this 2% Retirement Account Contribution, you also must be an active associate on December 31. The Retirement Account Contribution will be made in the first quarter of the following year. If you have elected to not contribute to the plan but are automatically enrolled only to receive the Retirement Account Contribution, you will not receive any Company match on the Retirement Account Contribution. To learn more about the Plan's Retirement Account contribution, you can review the "Company Contributions" section of the Plan's SPD.

2. If I do nothing, how much will be taken from my pay and contributed to the Plan?

If you do not turn in a completed contribution election by the deadline date outlined in your eligibility kit, 4% of your eligible pay for each pay period will be taken from your pay and contributed to the Plan. This will start with your first paycheck after you have attained age 21, completed 1 year of employment, and worked 1,000 hours. This provision does not apply if you are automatically enrolled in the Plan for the purpose of receiving only the 2% Retirement Account Contribution described above in Item 1. To learn more about the Plan's definition of eligible pay, you can review the "Key Terms" section of the Plan's SPD.

Your contributions to the Plan are taken out of your pay and are not subject to federal income tax at that time. Instead, they are contributed to your Plan account and can grow over time with earnings. Your account will be subject to federal income tax only when withdrawn. This helpful tax rule is a reason to save for retirement through Plan contributions.

Contributions will be taken out of your pay if you do nothing. But you are in charge of the amount that you contribute. You may decide to do nothing and become automatically enrolled, or you may choose to contribute an amount that better meets your needs. For example, you may want to get the full amount of the Company's matching contributions by contributing at least 6% of your eligible pay. You can change your contributions by submitting a new contribution election through PowerLine.

If you want to contribute more to your account than would be provided automatically, there are limits on the maximum amount. These limits are described in the "How the 401(k) Savings Plan Works" section of the Plan's SPD.

3. In addition to the contributions taken out of my pay, what amounts will the Company contribute to my Plan account?

Besides contributing the amounts taken from your pay, the Company will make other contributions to your Plan account, including the 2% Retirement Account Contribution described above in Item 1. The Company will match 50 cents for each dollar you contribute between 1% and 6% of your eligible pay each pay period. These matching contributions will be made if you are automatically enrolled or if you choose your own contribution level. However, no matching contributions are made in connection with the Company's 2% Retirement Account Contribution described above in Item 1.

The Company's matching contributions depend on the amount you contribute out of your pay each pay period.

For example:

> If you earn $2,000 in eligible pay during a pay period and you elect to contribute 6% of your pay, the Company will deduct $120 from your pay for the pay period (that is, 6% x $2,000). The $120 will be put in your Plan account. The Company will also make matching contributions to your Plan account of $60 for the pay period. In other words, the Company will make a 50 cent per dollar matching contribution on your contributions between 1% and 6% of eligible pay (50% of 6% x $2,000, or $60). Or, if you contribute 4% of your eligible pay for the pay period, the Company will take $80 out of your pay and put it in your Plan account, and will also make $40 in matching contributions for the pay period. Or, if you choose not to contribute to the Plan for a pay period, you will get no matching contributions for that pay period.

Remember, you can always change the amount you contribute to the Plan by turning in a new contribution election.

4. How will my Plan account be invested?

The Plan lets you invest your account in a number of different investment funds. Unless you choose a different investment fund or funds, your Plan account will be invested in the Vanguard Target Retirement Trust closest to your assumed retirement age of 65 as follows:

If you make no investment election, your contributions will be invested in the Vanguard Target Retirement Trust as follows:		
	If you were born…	Your money will be invested to this Vanguard Target Retirement Trust (based on your age)
	After 1982	Vanguard Target Retirement 2050 Trust I
	1978-1982	Vanguard Target Retirement 2045 Trust I
	1973-1977	Vanguard Target Retirement 2040 Trust I
	1968-1972	Vanguard Target Retirement 2035 Trust I
	1963-1967	Vanguard Target Retirement 2030 Trust I
	1958-1962	Vanguard Target Retirement 2025 Trust I
	1953-1957	Vanguard Target Retirement 2020 Trust I
	1948-1952	Vanguard Target Retirement 2015 Trust I
	1943-1947	Vanguard Target Retirement 2010 Trust I
	1937-1942	Vanguard Target Retirement 2005 Trust I
	Before 1937	Vanguard Target Retirement Income Trust I

Description of Funds: The Vanguard Target Retirement Trusts are a group of mutual funds that separately invest in up to 7 other Vanguard stock, bond, and money market funds. The Vanguard Target Retirement Income Trust I is designed for investors currently in retirement. The other Vanguard Target Retirement Trusts are designed for investors who plan to retire close to the year indicated in the Trusts' names. These Trusts' asset allocations will change over time and become more conservative as the date indicated in the Trust's name draws closer, meaning that the percentage of assets allocated to stocks will decrease while the percentage of assets allocated to bonds and other fixed income investments will increase.

The following table shows the current asset allocation for each Fund:

Target Retirement Fund	Stocks	Bonds	Short-term Reserves	Overall Risk Level
Vanguard Target Retirement 2050 Trust I	89.4%	10.0%	0.4%	Moderate–Aggressive
Vanguard Target Retirement 2045 Trust I	89.6	10.0	0.5	Moderate–Aggressive
Vanguard Target Retirement 2040 Trust I	89.7	10.0	0.3	Moderate–Aggressive
Vanguard Target Retirement 2035 Trust I	89.3	10.4	0.3	Moderate–Aggressive
Vanguard Target Retirement 2030 Trust I	82.0	17.9	0.1	Moderate–Aggressive
Vanguard Target Retirement 2025 Trust I	74.6	25.3	0.1	Moderate
Vanguard Target Retirement 2020 Trust I	67.0	33.0	0.0	Moderate
Vanguard Target Retirement 2015 Trust I	59.6	40.4	0.1	Moderate
Vanguard Target Retirement 2010 Trust I	49.2	50.7	0.2	Moderate
Vanguard Target Retirement 2005 Trust I	35.0	61.2	3.8	Moderate
Vanguard Target Retirement Income Trust I	29.9	64.9	5.2	Conservative–Moderate

Underlying Funds
• Vanguard Total Stock Market Index Fund seeks to track the performance of the entire U.S. stock market.
• Vanguard Total Bond Market II Index Fund seeks to track the performance of a broad, market-weighted bond index.
• Vanguard Inflation-Protected Securities Fund invests in inflation-indexed securities issued by the U.S. government and corporations.
• Vanguard European Stock Index Fund seeks to track the performance of stocks from European markets.
• Vanguard Pacific Stock Index Fund seeks to track the performance of stocks from Pacific markets.
• Vanguard Emerging Markets Stock Index Fund seeks to track the performance of stocks from emerging markets.
• Vanguard Prime Money Market Fund invests in corporate and U.S. government agency securities having an average maturity of 90 days or less.

Risk and Return Characteristics: By owning shares of other Vanguard funds, each of the Vanguard Target Retirement Trusts indirectly invests, to varying degrees, in U.S. stocks, with an emphasis on large-cap stocks. To a lesser extent, several of the Trusts also invest in funds that own foreign stocks. Each fund is subject to stock market risk, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

Each Trust also indirectly invests, to varying degrees, in government and corporate bonds, as well as in mortgage-backed securities. Through their investments in Vanguard Inflation-Protected Securities Fund, the Target Retirement Income, 2005, 2010, and 2015 Trusts also invest in inflation-indexed bonds. Although bonds are often thought to be less risky than stocks, there have been periods when bond prices have fallen significantly because of rising interest rates. Depending on the percentage of assets invested in bonds, the Trust is proportionately subject to the following risks: *interest rate risk*, which is the chance that bond prices overall will decline because of rising interest rates; *income risk*, which is the chance that an underlying fund's income will decline because of falling interest rates or declining inflation; *credit risk*, which is the chance that the issuer of a security will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that security to decline, thus reducing an underlying fund's return; and *call risk*, which is the chance that during periods of falling interest rates, issuers of callable bonds may call (repay) securities with higher coupons or interest rates before their maturity dates

Through one underlying fund (the Prime Money Market Fund), a small percentage of the assets of the Vanguard Target Retirement Income, 2005, and 2010 Trusts will be invested in money market instruments. Although designed as low-risk investments, these instruments, similar to bonds, are subject to income risk and credit risk.

Investment Objectives: The investment objective of the Target Retirement Income Trust I is to provide current income and some capital appreciation. The investment objective of the other Target Retirement Trusts I is to provide capital appreciation and current income consistent with the current asset allocation of the respective trust.

Fees and Expenses: The estimated fees and expenses subtracted from the daily rate of return earned by each of the Vanguard Retirement Income Trusts are as follows for the 2011 plan year:

Estimated 2011 Total Administrative and Operating Expenses	0.201%
Investment Management Fees	0.090%
Total Fees	0.291%

You can change how your Plan account is invested, among the Plan's offered investment funds, by turning in your investment election to PowerLine. There are no restrictions, fees, or expenses that apply when you transfer assets from the Vanguard Target Retirement Trusts to other investment funds. While transfer among investment funds may be done at anytime, you are restricted to once each day.

To learn more about the Plan's investment funds and procedures for changing how your Plan account is invested, you can review the "Investing Your Savings" section of the Plan's SPD or contact PowerLine**.**

5. When will my Plan account be vested and available to me?

You will always be vested in your contributions to the Plan. For Company contributions made for plan years before January 1, 2007, you vest 20 percent for each year of vesting service. For Company contributions made for plan years after December 31, 2006, you are 100 percent vested after three years of vesting service. To be fully vested in Plan contributions means that the contributions (together with any investment gain or loss) will always belong to you, and you will not lose them when you leave your job. For more information about years of service, you can review the "How the 401(k) Savings Plan Works" section of the Plan's SPD.

Even if you are vested in your Plan account, there are limits on when you may withdraw your funds. These limits may be important to you in deciding how much, if any, to contribute to the Plan. Generally you may only withdraw vested money after you leave your job, reach age 59-1/2, or become disabled. Also, there is generally an extra 10% tax on distributions before age 59-1/2. Your beneficiary can get any vested amount remaining in your account when you die.

You also can borrow certain amounts from your vested Plan account, and may be able to take out certain vested money if you have a hardship. Hardship distributions are limited to the dollar amount of your contributions. They may not be taken from earnings or matching contributions. Hardship distributions must be for a specified reason – for qualifying medical expenses, costs of purchasing your principal residence (or preventing eviction from or foreclosure on our principal residence, or repairing qualifying damages to your principal residence), qualifying post-secondary education expenses, or qualifying burial or funeral expenses. Before you can take a hardship distribution, you must have taken other permitted withdrawals and loans from qualifying Company plans.

You can learn more about the Plan's hardship withdrawal and loan rules in the "Loans and Withdrawals While Working" section of the Plan's SPD. You can also learn more about the extra 10% tax in IRS Publication 575, Pension and Annuity Income.

6. Can I change the amount of my contributions?

You can always change the amount you contribute to the Plan. If you know now that you do not want to contribute to the Plan (and you haven't already elected not to contribute), you will want to make a contribution election, electing zero contributions by logging into the PowerLine website.

If you have any questions about how the Plan works or your rights and obligations under the Plan, or if you would like a copy of the Plan's SPD or other Plan documents, please contact PowerLine.

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Access PowerLine via the Associate Kiosk or the Associate Kiosk@Home

1-888-890-8900
Monday – Friday 8 a.m. – 8 p.m. Central time