JCPenney Supplemental Retirement Program

Plan Highlight—For benefits beginning after December 31, 2007

Eligibility

- You're eligible for the Supplement Retirement Program for Management Profit-Sharing Associates of JCPenney Corporation, Inc. (SRP or Plan) if you were classified as management or were in a profit incentive compensation program (excluding the Savings, Profit-Sharing and Stock Ownership Plan) 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. Under the SRP you will receive the greater of this target benefit or a minimum benefit.
- Your retirement income target is a percentage, based on your years of credited service. The percentages are:
  - 3% for each of your first 10 years of credited service
  - 1% for each of the next 20 years of credited service, and
  - ½ % for each of the next 10 years of credited service.
- Credited Service is your years and months of service as a Pension Plan participant. Since you must have at least 12 months of service to participate in the Pension Plan, your credited service is generally one year less than your total period of employment.
- Your retirement income target benefit is then 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.
- Generally, in determining your Average Final Earnings, incentive compensation is not recognized in the year it is paid to you, but it is included in your earnings for the prior year. However, for purposes of calculating your SRP benefit at the time of your payment commencement date, incentive compensation earned during the year of your separation from service will be calculated as zero at the time of separation. Then, if you receive incentive compensation after payment of your benefit has begun, you may receive an additional benefit equal to the present value of any incremental increase in your SRP benefit attributable to such cash incentive compensation award. This determination will be made as of your original payment commencement date. Any additional benefit will be paid as a lump sum.

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- 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. This benefit is called the "minimum benefit". The minimum benefit is then compared with your target benefit, and you will receive the greater of the two amounts.
- 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 calculated using certain Plan-designated assumptions.. If you are entitled to disability benefits under the United States Social Security laws, you will not be eligible for any Social Security make-up benefits.
- 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 the first day of the month immediately following the date on which your employment ends 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.

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 as of 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 their separation from service. Specified employees are the top 50 officers earning compensation in excess of $160,000 (as indexed).
- 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 $16,500 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 SRP benefit in installment payments. Your Spouse will receive five annual installments based on the benefit you would have received if you had chosen the 100% joint and survivor annuity. The benefit will commence as of the first day of the month after your death. 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. If no beneficiary has been designated by you, the beneficiary will be deemed to be your spouse if you are married and your estate if you are single.

Life Insurance

Company-Paid Insurance

- If you separate from service between ages 60 and 70 with at least 10 years of uninterrupted service, the Company will continue to provide you with Company – Paid Term Life insurance coverage at Company expense on a decreasing coverage basis until you reach age 70. Coverage is reduced 10% for each year after age 60
- If you retire after age 60, this cumulative 10% per year reduction is effective on your retirement date. For example, if you retire at age 65, your coverage amount at retirement would be 50% of the preretirement amount. The amount would then drop to 40% of the original amount on the first day of the month after you reach age 66.
- Once your group life insurance coverage ends, you will have the right to convert your group term life insurance coverage to an individual policy to the extent permitted under the group policy.

- If you are already covered by term life insurance under the Company's term life insurance plan on account of your total disability, then you will not be eligible for any term life insurance coverage provided for under the SRP.

Associate-Paid Insurance

- If you (i) retire before you reach age 65, (ii) are eligible to receive Company-paid life insurance coverage under the terms of the SRP, and (iii) have associate-paid term life insurance coverage under the J. C. Penney Corporation, Inc. Health and Welfare Benefit Plan on the date your employment ends, you may choose to purchase coverage under the J. C. Penney Corporation, Inc. Supplemental Term Life Insurance Plan for Management Profit-Sharing Associates until you reach age 65. The maximum amount of coverage you may have under the Associate-Paid Term Life Insurance Plan is equal to 100% of your annual earnings for benefits (AEB) on the date your employment ends, as recognized under the Associate-Paid Term Life Insurance Plan for active associates. This benefit is provided to you under a separate plan.
- You also may be eligible to continue Associate-Paid Term Life coverage under the J. C. Penney Corporation, Inc. Health and Welfare Benefit Plan if you are at least age 55 but less than 70 on the date your employment ends and you meet the other eligibility requirements for coverage as described in the Associate-Paid Term Life Insurance Summary Plan Description. See that Summary Plan Description for eligibility and coverage requirements.

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 8201, 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 **Attention: Benefits Division**, J.C. Penney Corporation, Inc., 6501 Legacy Drive, Mail Stop 1104, Plano, Texas 75024. Your request should include the full name of the Plan: Supplemental Retirement Program for Management Profit-Sharing Associates of J. C. Penney Corporation, Inc.

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