JCPenney | benefits

Automatic Enrollment and Default Investment Notice

J.C. Penney Corporation, Inc. Savings, Profit-Sharing, and Stock Ownership Plan (the "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 (the "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. ***Even though no action is required on your part, an annual review of your retirement portfolio is suggested.***

J.C. Penney Corporation, Inc. (the "Company") makes saving for retirement under the Plan even easier by offering an automatic enrollment feature and providing Company matching contributions.

If you have not made a contribution election, you will be automatically enrolled in the Plan starting with your first paycheck after you have reached age 21 and completed one year of employment during which you work 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 pre-tax 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 were 3% of your after-tax eligible pay each pay period. You can choose to contribute more, less or even nothing.

The automatic enrollment feature will not change your contribution level if you previously submitted a contribution election through PowerLine. Your earlier election will continue and matching contributions will be made based on your contribution level. You can change your contribution level at any time by submitting a new contribution election through PowerLine. Matching contributions will be based on your most current contribution level.

The Company will match 50 cents for each dollar you contribute that is between 1% and 6% of your eligible pay. 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, so you may want to increase your contributions in order to maximize the match. It may also be more than your current contribution rate. Instructions for accessing the PowerLine Benefits website are at the end of this document.

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, when you can get your Plan account; and**
6. **How you can change your contributions.**

You can find out more about the Plan in the Plan's Summary Plan Description (the "SPD"). You can access the SPD by clicking on the Plan Information box on the PowerLine homepage or by 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 not to contribute. You can always change your contribution level by submitting a new contribution election on the PowerLine website.

Before Tax Deposits: If you have not elected a contribution level, you will be automatically enrolled in the Plan starting with your first paycheck after you have reached age 21 and completed one year of employment during which you work 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 indicate a 0% contribution election through the PowerLine website by the date outlined in your eligibility kit. You will also receive a Company matching contribution on your contributions.

Company Contributions: If you were hired or rehired on or after January 1, 2007, have reached age 21 and completed one year of employment during which you work 1,000 hours, you will be automatically enrolled in the Plan for the purpose of receiving a Retirement Account Contribution (the "RAC"). The RAC 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% RAC, you must be an active Associate on December 31. The RAC will be made in the first quarter of the following year. Even if you elect to contribute 0% of your eligible pay to the Plan, you will still be enrolled in the Plan for the purpose of receiving the RAC. To learn more about the Plan's RAC, you can review the "Retirement Account Contributions" section of the SPD.

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

If you do not make a contribution election by the date outlined in your eligibility kit, 4% of your eligible pay will be taken from your pay for each pay period and contributed to the Plan. This will start with your first paycheck after you reach age 21 and complete one year of employment during which you work 1,000 hours. To learn more about the Plan's definition of eligible pay, you can review "Pay" in the "Key Terms" section of the SPD. Your contributions to the Plan are taken out of your pay on a pre-tax basis and are not subject to federal income tax at that time. 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 you make withdrawals.

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 a different amount. 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.

There are limits on the maximum amount that you can contribute to the Plan. These limits are described in the "How the 401(k) Savings Plan Works" section of the 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 contribute the 2% RAC described above in Item 1 and the Company will match 50 cents for each dollar you contribute between 1% and 6% of your eligible pay each pay period. 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% RAC described above in Item 1.

The Company's matching contributions depend on the amount you contribute from 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 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). If you earn $2,000 in eligible pay during the pay period and you elect to contribute 4% of your eligible pay, 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. If you choose not to contribute to the Plan for a pay period, you will not receive matching contributions for that pay period; however, you may still receive the RAC if you are an active Associate on December 31.

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 automatically 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)
	1988 or later	Vanguard Target Retirement 2055 Trust I
	1983-1987	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
	Before 1943	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 five 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 asset allocation for each Fund as of August 31st, 2014:

Target Retirement Fund	Stocks	Bonds	Short-term Reserves	Overall Risk Level
Vanguard Target Retirement 2055 Trust I	90.0%	10.0%	0.0%	Moderate–Aggressive
Vanguard Target Retirement 2050 Trust I	90.0	10.0	0.0	Moderate–Aggressive
Vanguard Target Retirement 2045 Trust I	90.0	10.0	0.0	Moderate–Aggressive
Vanguard Target Retirement 2040 Trust I	90.0	10.0	0.0	Moderate–Aggressive
Vanguard Target Retirement 2035 Trust I	83.5	16.5	0.0	Moderate–Aggressive
Vanguard Target Retirement 2030 Trust I	75.9	24.1	0.0	Moderate–Aggressive
Vanguard Target Retirement 2025 Trust I	68.5	31.5	0.0	Moderate
Vanguard Target Retirement 2020 Trust I	61.2	38.8	0.0	Moderate
Vanguard Target Retirement 2015 Trust I	51.6	48.4	0.0	Moderate
Vanguard Target Retirement 2010 Trust I	37.9	62.1	0.0	Moderate
Vanguard Target Retirement Income Trust I	30.1	69.9	0.0	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 Total International Stock Index Fund seeks to track the performance of stocks from developed and emerging markets, excluding the U.S.
- Vanguard Total International Bond Index Fund seeks to track the performance of U.S. dollar hedged benchmark index that measures the investment return of investment-grade bonds issued outside of the U.S.

Risk and Return Characteristics: Investments in Target Retirement Trusts are subject to the risks of their underlying funds. The year in the trust name refers to the approximate year (the target date) when an investor in the trust would retire and leave the workforce. The trust will gradually shift its emphasis from more aggressive investments to more conservative ones based on its target date. An investment in the Target Retirement Trust is not guaranteed at any time, including on or after the target date. Diversification does not ensure a profit or protect against a loss. An investment in these trusts is subject to the price fluctuations inherent in the stock and bond markets, so you could lose money if you sell shares after prices have fallen.
Investments in bond funds are subject to interest rate, credit and inflation risk. U.S. government backing of Treasury or agency securities applies only to the underlying securities and does not prevent share-price fluctuations. Unlike stocks and bonds, U.S. Treasury bills are guaranteed as to the timely payment of principal and interest. Securities of companies based in emerging markets are subject to national and regional political and economic risks and to the risk of currency fluctuations. These risks are especially high in emerging markets. The funds that invest a significant portion of their assets in bonds, which are usually less volatile than stocks, have an overall level of risk that is moderate compared with the funds that have a larger share of stocks. Conversely, funds that invest a significant portion of their assets in stocks have an overall level of risk that should be higher than funds that have more bonds and smaller shares of stocks.

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

Fees and Expenses: Fees and expenses are subtracted from the daily rate of return earned by each of the Vanguard Retirement Income Trusts. The estimated fees and expenses for the 2014 plan year are as follows:

Estimated 2014 Total Administrative and Operating Expenses	0.1990%
Investment Management Fees	0.0825%
Total Fees	0.2815%

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 generally be done at any time, you are restricted to one transfer 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 SPD or contact PowerLine.

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

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. You will always be vested in your contributions to the Plan. For Company Contributions (RAC and Company matching contributions) made for plan years before January 1, 2007, you vest 20% for each year of vesting service. For Company Contributions made for plan years after December 31, 2006, you are 100% vested after three years of vesting service. For more information about years of vesting service and other vesting rules, you can review the "How the 401(k) Savings Plan Works" section of the 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. 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 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, including, but not limited to qualifying medical expenses, costs of purchasing your principal residence, preventing eviction from or foreclosure on your 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 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, you may elect 0% contributions by logging into the PowerLine website.

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

This notice describes certain provisions of the Plan. To the extent the information is not complete or conflicts with the terms of the Plan, the Plan documents govern. The Company reserves the right to amend the Plan.

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