
SEARS HOLDINGS

Re: Sears Holdings Pension Plan 2 (“Pension Plan”)

Dear Pension Plan Retiree or Beneficiary,

We are writing today to share important information about the way your benefit under the above-referenced Pension Plan will be paid in the future. Beginning November 1, 2017, Metropolitan Life Insurance Company (“MetLife”) will assume responsibility for the monthly pension payment you currently receive from the Pension Plan. This is pursuant to a group annuity contract purchased by Sears Holdings Corporation from MetLife.

What You Need to Know

- There will be **no changes** to the gross amount, form of benefit or timing of your monthly pension payment.
- There is no immediate action you need to take as a result of this change.
- MetLife will assume payment responsibility for Pension Plan participants – like you – whose monthly gross payments are less than \$265 and who commenced monthly pension benefit payments from the Pension Plan on or before December 1, 2016.
- You will not incur any fees or transaction costs as a result of this change. Those costs **will be** paid by the Pension Plan.

You can find more details about this change, why it is happening and what it means for you in the following documents that are enclosed with this letter:

- Additional Information About Annuitization of Benefits
- Frequently Asked Questions About Annuitization of Benefits and;
- Notice of State Guaranty Association Coverage of Annuities.

If you would like to read about:	Refer to:
The purchase of the group annuity contract	‘What Is Happening’ on Additional Information page 1
The process of transferring your pension benefit to MetLife and who to contact	‘What You Can Expect’ on Additional Information page 1
Why this is happening	‘Why Sears Is Taking This Action’ on Additional Information page 2
MetLife	‘About MetLife’ on Additional Information page 2
Answers to questions you may have	Frequently Asked Questions on pages 3 – 5
Protection of your benefit after it has been transferred to MetLife	Notice of State Guaranty Association Coverage of Annuities on page 6

For More Information

If you have any questions or need more information, please call the Pension Service Center at **1-800-953-5390**. Representatives are available Monday through Friday, 9:00 a.m. until 7:00 p.m. Eastern Time, excluding holidays.

We appreciate your patience as we complete the annuity transfer process.

The Sears Holdings Administrative Committee



Robert Riecker
Enclosures

ADDITIONAL INFORMATION ABOUT ANNUITIZATION OF BENEFITS

What Is Happening

Sears Holdings Corporation (“SHC”) has entered into an agreement to purchase a group annuity contract from MetLife to pay future pension benefits to you and certain other retirees and beneficiaries who began receiving monthly pension payments from the Sears Holdings Pension Plan 2 (the “Pension Plan”) on or before December 1, 2016.

MetLife will take over payment of your monthly pension benefit effective November 1, 2017. Starting on that date, the Pension Plan will have transferred responsibility for administering and paying your pension benefit to MetLife.

The group annuity contract includes an irrevocable commitment by MetLife to make pension benefit payments to the participants and beneficiaries who are covered under the contract going forward. MetLife was selected by State Street Global Advisors (“SSGA”), an independent fiduciary with extensive experience in evaluating insurance companies for this purpose. (See www.ssga.com for more information.) The Pension Plan fiduciaries hired SSGA and gave it full authority to select the insurance company based on its own due diligence from among several insurance companies that submitted bids in a competitive process managed by Willis Towers Watson. The purpose was to ensure an independent and prudent selection of the insurance company that will take on the responsibility to pay your pension benefits as prescribed under the Pension Plan.

What You Can Expect

- You will continue to receive monthly pension benefit payments from the Pension Plan, through October 1, 2017. Effective November 1, 2017, your monthly pension benefit will come from MetLife.
- **Your benefit payment dates will not change.**
- **Your gross pension benefit amount will not change.**
- **Your form of benefit will not change.** Whatever form of annuity payment you chose when you elected to begin receiving benefits is the form of payment that will continue once MetLife takes over the payment of your benefit. If your current payment election has beneficiary rights, such as a joint and survivor annuity, your beneficiaries will also receive their payment from MetLife (existing beneficiary designations will carry over – you do not have to re-designate your beneficiary(ies)).
- **MetLife will send you a “welcome packet” in mid-October 2017.** This packet will provide information on how to contact MetLife for:
 - Questions about your pension benefit and any payment issues; and
 - Making changes to your address, tax withholding, personal or banking information.
- **Your information will be securely transferred to MetLife.** Your personal information such as mailing address, tax withholding elections and banking information will be securely transferred, along with your monthly pension benefit payment. If you need to make changes to your personal information before you receive your MetLife welcome packet, you may call the Pension Service Center at **1-800-953-5390**.

After you receive your welcome packet, you will need to contact MetLife for all information related to your pension benefit and payments. MetLife’s contact information will be included in the welcome packet you will receive in mid-October.
- **Next year, MetLife will send you an annuity certificate.** This certificate will describe your benefit and MetLife’s obligations under the group annuity contract.

Why SHC Is Taking This Action

Market volatility and pension funding regulations continue to be a challenge for many employers in managing the cost and risk of maintaining a pension plan. SHC continually seeks to be more cost efficient and to reduce risk throughout the enterprise, including in relation to employee benefit programs. Transferring Pension Plan obligations to MetLife is a way to reduce pension-related risk and expense to SHC while entrusting payment of monthly pension benefits to an institution (selected by an independent expert through a competitive process) whose core business is managing assets to pay all types of annuities and retirement benefits and administering such contracts and benefits. SHC determined that purchasing a group annuity contract for selected retirees from an insurance company would be an efficient way to continue delivering pension benefits for approximately 20,000 retirees (including beneficiaries) while also controlling the cost and reducing business risk. There was then a rigorous and prudent search and selection process, with:

- The global consulting firm Willis Towers Watson designing and managing a competitive process for obtaining bids from qualified insurance companies, and
- SSGA (see “What is Happening” above) having full authority to conduct its own due diligence on the bids and bidding insurance companies and to select the winning bid based on its own assessment and subject to legal accountability for its decision.

SHC’s decision and the bidding and selection process are not new – SHC successfully transferred responsibility for paying some Pension Plan benefits to MetLife earlier in 2017. Also many companies, including JCPenney and Motorola have similarly “annuitized” pension benefits.

About MetLife

MetLife ranks among the top-rated companies in North America, with an “AA-” rating from Standard & Poor’s for its claims-paying ability¹. MetLife’s total assets as of June 30, 2017 were \$401 billion² with \$15 billion in total capital.³ The company also provides benefit payments to more than 600,000 annuitants each month. MetLife is in a strong position to provide the continuation of your pension benefit under the group annuity contract.

In collaboration with Willis Towers Watson, we will be working with MetLife over the next several weeks to ensure you continue to receive your monthly pension benefit as you do today. During this time, we will provide MetLife with details related to your current pension benefit, such as the amount of your benefit, beneficiary elections, your mailing address, direct deposit information and your tax withholding information.

Please be sure to pay close attention to any correspondence from MetLife, and contact them if you have questions or need to make any changes to your address, tax withholding, personal or banking information.

¹ Ratings apply to Metropolitan Life Insurance Company’s financial strength and claims-paying ability and not the performance of any of its products.

² Metropolitan Life Insurance Company as of June 30, 2017. Total assets include general account and separate account assets and are reported on a statutory basis.

³ Metropolitan Life Insurance Company as of June 30, 2017. Total capital is comprised of capital & surplus and investment reserves and is reported on a statutory basis.

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FREQUENTLY ASKED QUESTIONS ABOUT ANNUITIZATION OF BENEFITS

1. Who is affected by the annuity purchase?

In general, the group affected is retired participants in the Sears Holdings Pension Plan 2 (the "Pension Plan") who commenced monthly pension payments on or before December 1, 2016 and whose monthly gross payments are less than \$265, as well as their surviving beneficiaries, if applicable.

It does not include:

- Retirees and surviving beneficiaries who commenced pension payments from the Pension Plan after December 1, 2016.
- Retirees and surviving beneficiaries whose monthly gross payment is equal to or more than \$265.
- Terminated vested Pension Plan participants.
- Active SHC associates, whether pension-eligible or not.
- Various other groups of participants and beneficiaries who meet the commencement date and amount guidelines but whose benefit has certain complexities, for example, is subject to a qualified domestic relations order, or are Puerto Rico residents.

2. Why is the annuity contract being purchased to pay our pension benefits?

SHC decided to annuitize certain benefits in order to reduce long-term financial risks associated with maintaining the Pension Plan while providing a financially strong vehicle for paying these benefits. MetLife was selected by State Street Global Advisors ("SSGA") after a rigorous and prudent process. SSGA was hired by the Pension Plan fiduciaries who gave SSGA full authority to conduct its own due diligence on the bids and bidding insurance companies to select the winning bid. This move allows SHC to continue to focus more on managing its core business and less on managing pension-related risk and expense.

3. Why is this being done now?

SHC is continuously reviewing ways to support its business strategy and that includes reducing financial risk across the company. By acting now, SHC has an opportunity to provide a vehicle for paying the pension benefit you've earned from a financially strong insurance company. SHC successfully transferred responsibility for paying some Pension Plan benefits to MetLife earlier in 2017.

4. How was MetLife chosen?

SHC engaged the global consulting firm Willis Towers Watson to run a competitive quote process by soliciting interest from over a dozen insurance companies that offer group annuity contracts to pension plans. Of these companies, several insurance companies provided quotes. State Street Global Advisors ("SSGA") was hired by the Pension Plan fiduciaries to act in the interest of participants and beneficiaries in evaluating these quotes and then choosing the insurance company and group annuity contract from among the final quotes submitted. SSGA conducted its own research on each insurance company, including extensive questionnaires and in-person meetings. Final bids were then obtained and SSGA selected the insurance company. In considering the quotes, SSGA considered many factors, including each insurance company's financial strength, investment portfolio and investment management, ability to efficiently transition the benefits and administer ongoing benefit payments, and customer service capabilities. SSGA also considered the underlying participant protections associated with the annuity contract and other features of the contract itself. Based on this process, SSGA chose MetLife as the group annuity contract provider.

5. How can I be sure that my pension benefit is secure?

As explained in the answer to question 4, above, MetLife was selected by an independent expert, SSGA, as a result of a rigorous and prudent process. Further, MetLife makes pension benefit payments to more than 600,000 annuitants each month and has \$401 billion in total assets and \$15 billion in total capital as of June 30, 2017.

After MetLife takes over payment of your monthly pension benefit, your pension benefit will no longer be covered by the Pension Benefit Guaranty Corporation's (PBGC) insurance program but

instead will be backed by the life insurance guaranty association for the state in which you live. You can learn more about this from the National Organization of Life and Health Insurance Guaranty Associations (NOLHGA) at www.nolhga.com. Also, the *Notice of State Guaranty Association Coverage of Annuities* provided with these FAQs has more information on these guaranty associations.

6. Is there anything that I need to do right away to prepare for this change?

No, you do not have to take any action. In mid-October, MetLife will send you a welcome packet with more information.

7. When will the transfer happen?

We expect that MetLife will begin making monthly pension payments starting on November 1, 2017. Until that time, your monthly pension payments will continue to be paid by the Pension Plan, as they are today.

8. What happens if I have more than one record in the Pension Plan (due to having a Kmart and Sears benefit or because I am receiving my own pension and payments as a beneficiary)?

A separate \$265 monthly threshold is in place for each record that is part of the group annuity contract. If one of your monthly payments is over the threshold it will not be transferred to the insurance company and will continue to be paid by the Pension Plan via a check from State Street, as it is now.

9. What if I want to change my tax withholding, have the pension check from the insurance company sent to a different location or have the funds deposited to a different bank account?

In mid-October, you will receive a welcome packet from MetLife that will provide details on whom to call if changes are needed to your address, banking or tax withholding information.

When you receive your welcome packet, contact MetLife to make changes to your personal information or for pension benefit information and assistance. In the meantime, call the Pension Service Center at **1-800-953-5390**.

10. Where can I get more information about the amount of coverage provided by my state insurance guaranty association?

The website of the National Organization of Life and Health Insurance Guaranty Associations (NOLHGA) at www.nolhga.com has information on how guaranty associations work, the coverage provided by each guaranty association (all 50 states plus the District of Columbia and Puerto Rico) and links to state-specific guaranty association websites. The rules governing guaranty associations are complex, vary from state to state, and overall benefit caps vary from state to state.

11. How is the transition to MetLife being managed?

SHC, Willis Towers Watson and MetLife will be working collaboratively over the coming weeks to ensure a smooth transition of your pension benefit.

- In mid-October, you will receive a welcome packet in the mail from MetLife with more information, including a new customer support number for questions.
- MetLife will take over your pension benefit payments beginning November 1, 2017.
- After the transition is completed, you will receive an individual annuity certificate describing your benefit and MetLife's obligations under the group annuity contract. It is expected that annuity certificates will be mailed in early 2018.

12. Can I transfer my pension benefit to a different insurance company that provides annuities?

No. MetLife was awarded the group annuity contract covering all benefits for included participants and participants cannot opt-out.

13. Can I get a lump-sum payment of my pension benefit instead of having my monthly pension benefit administered by an insurance company?

No. Just like the Pension Plan provides that once benefits begin, the form of payment cannot be changed, the group annuity contract does not allow participants to change the form of payment. Also, under IRS regulations, unless the Pension Plan is terminated (which is not the case), retirees cannot be offered the option of converting their annuities into a lump-sum.

14. How will the transfer of my monthly pension payment to MetLife affect my 1099 form?

You will receive two Forms 1099 for calendar year 2017: one from State Street for your pension benefit payments through October 2017, and one from MetLife for the remainder of 2017. If your address changes before you receive your 2017 Form 1099, please update both State Street and MetLife to ensure it is sent to your updated address. For 2018 and each year thereafter, you will receive one Form 1099 from MetLife.

15. How will the transfer of my monthly pension payment to MetLife affect the Annual Funding Notice I receive from the Pension Plan each year?

Once MetLife takes over your monthly pension payments, your benefit will not be paid through the Pension Plan and you will no longer be a participant in the Pension Plan, so you will no longer receive Annual Funding Notices from the Pension Plan.

16. Where can I get a copy of this letter for future reference?

A copy of this letter has been posted to the Sears Holdings Alumni site at <http://www.searsholdingsalumni.com>

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The information contained in this letter, Additional Information About Annuitization of Benefits and the Frequently Asked Questions About Annuitization of Benefits, taken all together is a Summary of Material Modification (the "SMM") for the Sears Holdings Pension Plan 2 (the "Pension Plan"). This SMM is being distributed to all affected plan participants to reflect a recent amendment to the Pension Plan relating to the purchase of the annuity contract. Please keep this SMM with your summary plan description and other important Pension Plan documents.

In the event of any conflict or inconsistency between this SMM and the full documents and instruments governing the Pension Plan (the "Plan Documents"), or if any point is not addressed in this SMM or is only partially addressed, the terms of the Plan documents (as interpreted by the plan administrator) will govern in all cases. Sears Holdings retains all rights reserved to it under the Plan Documents.

NOTICE OF STATE GUARANTY ASSOCIATION COVERAGE OF ANNUITIES

Your pension plan may pay you your pension benefit in the form of an annuity purchased from a licensed insurance company. Once the plan purchases an annuity for you, the insurance company will be responsible for paying your benefit.

All states, Puerto Rico and the District of Columbia have “guaranty associations.” The purpose of a guaranty association is to protect policyholders, up to specified limits, in the event the insurance company is financially unable to meet its obligations.

If you receive your pension benefits in the form of an annuity and the insurance company becomes unable to pay, a guaranty association may be responsible for all, part or none of your annuity. Generally, where you live at the time the insurance company is unable to pay determines which guaranty association is responsible. In certain circumstances, other factors, such as where the insurance company is licensed to do business, determine which guaranty association may be responsible.

Each guaranty association has dollar limits on the extent of its coverage. In most states, guaranty association coverage limits are \$250,000 for individual annuities with an overall benefit “cap” for an individual life of \$300,000, though some states have maximums that are higher. However, state laws vary and can change over time, and different states may calculate the value of annuities differently.

This notice is to help you understand the general nature of the guaranty association protection of the annuity you may receive. It is only a summary. If you need information now or in the event the insurance company fails, a list of the addresses and telephone numbers of guaranty association offices is available by contacting PBGC’s Customer Contact Center, PO Box 151750, Alexandria, VA 22315-1750, telephone: 1- (800) 400-7242 or go to PBGC’s Web site at www.pbgc.gov (at the “Workers & Retirees” page, click on select “Benefits” on left menu bar and select “State Life and Health Insurance Guaranty Association Offices” on drop-down menu under “Benefits”).