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News

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Aetna Releases Report & Statement On Pension Plan Funding

How safe and secure is the Aetna Pension Plan? Many members have asked us that, and your ARA has taken steps to attempt to evaluate the question. With real estate values and financial markets at depressed levels, it would seem that all pension plans have taken a hit and that most have probably fallen below prescribed minimum funding levels.

In late April, Aetna finished its Annual Funding Notice as required by law and has mailed copies to all plan participants. This constitutes Aetna's official statement on the subject. However, like most such governmentally-required official statements, it is the work of lawyers and accountants and not easily read or understood.

Bottom line, the pension plan has fallen below minimums but not, it would seem, alarmingly so. A rise in values of real estate and equities could, realistically, bring it back closer to or even above required levels. Of course, a prolonged equities market and housing slump could bring it lower than it is.

While the report provides us with bottom-line numbers, these numbers are not easily analyzed. Any depth analysis would require a long look at the actuarial assumptions and underlying numbers – the exact content of funds and real estate holdings. Even if this were done, it would not provide total reassurance because, in this economic climate, even companies once considered "blue chip" have gone from star status to teetering in a shockingly short time.

While Aetna does not have a contribution requirement for 2009, the company says it plans to add about $45 million to the plan this year. Even in this era where billion and trillion seem to have replaced millions, that is a solid statement of Aetna's commitment to keeping this promise.

For your convenience, we have reprinted the Annual Funding notice. We urge you to read it thoroughly and, if you have any questions, to direct them to Aetna.

We have also included a four-page Frequently Asked Questions (FAQ) document that Aetna released April 28 and has posted on its Retiree Connection Web Site. The FAQ is written in more layman-friendly language.

Printed below is the full text of the Annual Funding Notice.

ANNUAL FUNDING NOTICE

To Aetna Plan Participants:

Each year, beginning April 2009, all participants in the Retirement Plan for Employees of Aetna Inc. ("the Plan") are required by law to receive an *Annual Funding Notice*. This new Annual Funding Notice is required under the Pension Protection Act of 2006 (PPA) and replaces the Summary Annual Report you have received in the past.

The Annual Funding Notice provides certain information about the Plan, including information about its funding level, Plan assets and liabilities, and other reporting requirements. Attached to this letter is your Annual Funding Notice for the 2008 plan year.

In addition, you will find information about your ability to request an estimate of your current accrued benefit under the Plan by visiting Your Benefits Resources Web site at http://www.ybr.com/aetna or call the Aetna HR Helpline at 1-800-AETNA-HR (1-800-238-6247) to reach the Aetna Retirement Service Center. Aetna Retirement Service Center Benefits Consultants are available between 8:00 a.m. and 5:00 p.m. Eastern time, Monday through Friday.

Annual Funding Notice for
Retirement Plan for Employees of Aetna Inc.

Introduction

This notice includes important funding information about your pension plan ("the Plan"). This notice also provides a summary of federal rules governing the termination of single-employer defined benefit pension plans and of benefit payments guaranteed by the Pension Benefit Guaranty Corporation (PBGC), a federal agency. This notice is for the plan year beginning January 1, 2008 and ending December 31, 2008 ("Plan Year").

Funding Target Attainment Percentage

The funding target attainment percentage of a plan is a measure of how well the plan is funded on a particular date. This percentage for a plan year is obtained by dividing the Plan's Net Plan Assets by Plan Liabilities on the Valuation Date. In general, the higher the percentage, the better funded the plan. The Plan's funding target attainment percentage for the Plan Year and 2 preceding plan years is shown in the chart below, along with a statement of the value of the Plan's assets and liabilities for the same period.

	Plan Year Beginning in 2008	Plan Year Beginning in 2007	Plan Year Beginning in 2006
1. Valuation Date	January 1, 2008	January 1, 2007	January 1, 2006
2. Plan Assets			
a. Total Plan Assets	$5,643,974,583	not applicable	not applicable
b. Funding Standard Carryover Balance	$1,538,258,209	not applicable	not applicable
c. Prefunding Balance	$0	not applicable	not applicable
d. Net Plan Assets (a) – (b) – (c) = (d)	$4,105,716,374	not applicable	not applicable
3. Plan Liabilities	$5,035,184,170	not applicable	not applicable
4. At-Risk Liabilities	not applicable	not applicable	not applicable
5. Funding Target Attainment Percentage (2d)/(3)	81.54%	not applicable	not applicable

Transition Data

For a brief transition period, the Plan is not required by law to report certain funding related information because such information may not exist for plan years before 2008. The plan has entered "not applicable" in the chart above to identify the information it does not have. In lieu of that information, however, the Plan is providing you with comparable information that reflects the funding status of the Plan under the law then in effect. For 2007, the Plan's "funding target attainment percentage determined under IRS transitional rules" was 72.82%, the Plan's assets were $5,279,527,690, and Plan liabilities were $5,347,992,318. For 2006, the Plan's "funded current liability percentage" was 72.33%*,* the Plan's assets were $5,055,509,419, and Plan liabilities were $5,060,675,559.

Credit Balances

Credit balances were subtracted from the Plan's assets before calculating the funding target attainment percentage in the chart above. While pension plans are permitted to maintain credit balances (called "funding standard carryover balance" or "prefunding balance") for funding purposes, such credits may not be taken into account when calculating a plan's funding target attainment percentage. A plan might have a credit balance, for example, if in a prior year an employer made contributions at a level in excess of the minimum level required by law. Generally, the excess payments are counted as "credits" and may be applied in future years toward the minimum level of contributions a plan sponsor is required by law to make to the plan in those years.

Fair Market Value of Assets

Asset values in the chart above are actuarial values, not market values. Market values tend to show a clearer picture of a plan's funded status as of a given point in time. However, because market values can fluctuate daily based on factors in the marketplace, such as changes in the stock market, pension law allows plans to use actuarial values for funding purposes. While actuarial values fluctuate less than market values, they are estimates. As of December 31, 2008, the fair market value of the Plan's assets was $3,876,714,551. On this same date, the Plan's liabilities were $4,893,309,063.

Participant Information

The total number of participants in the plan as of the Plan's valuation date was 75,722. Of this number, 26,324 were active participants; 21,080 were retired or separated from service and receiving benefits; and 28,318 were retired or separated from service and entitled to future benefits.

Funding & Investment Policies

The law requires that every pension plan have a procedure for establishing a funding policy to carry out the plan objectives. A funding policy relates to the level of contributions needed to pay for promised benefits.

Aetna Inc.'s funding policy for the Plan is to contribute an amount for each plan year that is no less than the minimum amount required by law under ERISA and the Internal Revenue Code. At its discretion, Aetna Inc. may contribute additional amounts in excess of the minimum required, and has made such additional contributions in the past. Aetna Inc. also limits the amount it contributes to no more than the maximum tax deductible amount determined under the Internal Revenue Code.
Once money is contributed to the Plan, the money is invested by plan officials called fiduciaries. Specific investments are made in accordance with the Plan's investment policy. Generally speaking, an investment policy is a written statement that provides the fiduciaries who are responsible for plan investments with guidelines or general instructions concerning various types or categories of investment management decisions. The investment policy of the Plan is to invest in a diversified mix of assets intended to maximize long-term

returns while recognizing the need for adequate liquidity to meet on-going benefit and administrative obligations.

The Plan's assets were allocated among the following categories of investments, as of the end of the Plan Year. These allocations are percentages of total assets:

Asset Allocations	**Percentage**
1. Interest-bearing cash	1.99%
2. U.S. Government securities	13.41%
3. Corporate debt instruments (other than employer securities):	
Preferred	3.91%
All other	11.02%
4. Corporate stocks (other than employer securities):	
Preferred	.14%
All other	34.81%
5. Partnership/joint venture interests	3.12%
6. Real estate (other than employer real property)	9.97%
7. Loans (other than to participants)	0%
8. Participant loans	0%
9. Value of interest in common/collective trusts	8.84%
10. Value of interest in pooled separate accounts	2.05%
11. Value of interest in master trust investment accounts	0%
12. Value of interest in 103-12 investment entities	0%
13. Value of interest in registered investment companies (e.g., mutual funds)	4.08%
14. Value of funds held in insurance co. general account (unallocated contracts)	0%
15. Employer-related investments:	
Employer Securities	0%
Employer real property	0%
16. Buildings and other property used in plan operation	0%
17. Other	6.66%

For information about the Plan's investment in any of the following types of investments as described in the chart above – common/collective trusts, pooled separate accounts, master trust investment accounts, or 103-12 investment entities – please contact: the Plan Administrator, Aetna Corporate Benefits, REAG, at 151 Farmington Avenue, Hartford, CT 06156.

Right to Request a Copy of the Annual Report

A pension plan is required to file with the US Department of Labor an annual report (i.e., Form 5500) containing financial and other information about the plan. Copies of the annual report are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling 202.693.8673. Or you may obtain a copy of the Plan's annual report via the internet by visiting https://www.mechpod.com/aetna. At the log-in screen, type in **AetnaOrder** as the user name, and **1doc4U** as the password (please type exactly, as they are case-sensitive). Select "Order Aetna document," fill in the fields, then click on "Order document." Your request will be filled within two weeks. Lastly you may submit a written request to obtain an annual report from the Plan Administrator at the above address.

Summary of Rules Governing Termination of Single-Employer Plans

Employers can end a pension plan through a process called "plan termination." There are two ways an employer can terminate its pension plan. The employer can end the plan in a "standard termination" but only after showing the PBGC that the plan has enough money to pay all benefits owed to participants. The plan must either purchase an annuity from an insurance company (which will provide you with lifetime benefits when you retire) or, if your plan allows, issue one lump-sum payment that covers your entire benefit. Before purchasing your annuity, your plan administrator must give you advance notice that identifies the insurance company (or companies) that your employer may select to provide the annuity. The PBGC's guarantee ends when your employer purchases your annuity or gives you the lump-sum payment.

If the plan is not fully-funded, the employer may apply for a distress termination if the employer is in financial distress. To do so, however, the employer must prove to a bankruptcy court or to the PBGC that the employer cannot remain in business unless the plan is terminated. If the application is granted, the PBGC will take over the plan as trustee and pay plan benefits, up to the legal limits, using plan assets and PBGC guarantee funds.

Under certain circumstances, the PBGC may take action on its own to end a pension plan. Most terminations initiated by the PBGC occur when the PBGC determines that plan termination is needed to protect the interests of plan participants or of the PBGC insurance program. The PBGC can do so if, for example, a plan does not have enough money to pay benefits currently due.

Benefit Payments Guaranteed by the PBGC

If a single-employer pension plan terminates without enough money to pay all benefits, the PBGC will take over the plan and pay pension benefits through its insurance program. Most participants and beneficiaries receive all of the pension benefits they would have received under their plan, but some people may lose certain benefits that are not guaranteed.

The PBGC pays pension benefits up to certain maximum limits. The maximum guaranteed benefit is $4,500 per month, or $54,000 per year, payable in the form of a straight life annuity, for a 65-year-old person in a plan that terminates in 2009. The maximum benefit may be reduced for an individual who is younger than age 65. The maximum benefit will also be reduced when a benefit is provided to a survivor of a plan participant.

The PBGC guarantees "basic benefits" earned before a plan is terminated, which includes:

- pension benefits at normal retirement age;
- most early retirement benefits;
- annuity benefits for survivors of plan participants; and
- disability benefits for a disability that occurred before the date the plan terminated.

The PBGC does not guarantee certain types of benefits:

- The PBGC does not guarantee benefits for which you do not have a vested right when a plan terminates, usually because you have not worked enough years for the company.
- The PBGC does not guarantee benefits for which you have not met all age, service, or other requirements at the time the plan terminates.

- Benefit increases and new benefits that have been in place for less than one year are not guaranteed. Those that have been in place for less than five years are only partly guaranteed.

- Early retirement payments that are greater than payments at normal retirement age may not be guaranteed. For example, a supplemental benefit that stops when you become eligible for Social Security may not be guaranteed.

- Benefits other than pension benefits, such as health insurance, life insurance, death benefits, vacation pay, or severance pay, are not guaranteed.

- The PBGC generally does not pay lump sums exceeding $5,000.

Even if certain benefits are not guaranteed, participants and beneficiaries still may receive some of those benefits from the PBGC depending on how much money the terminated plan has and how much the PBGC collects from the employer.

Where to Get More Information

For more information about this notice, you may contact: the Plan Administrator, Aetna Corporate Benefits, REAG at 151 Farmington Avenue, Hartford, CT 06156. For identification purposes, the official plan number is 003 and the plan sponsor's employer identification number or "EIN" is 23-2229683. For more information about the PBGC and benefit guarantees, go to PBGC's Web site, www.pbgc.gov, or call PBGC toll-free at 1.800.400.7242 (TTY/TDD users may call the Federal relay service toll free at 1.800.877.8339 and ask to be connected to 1.800.400.7242).

Additional Information

To request a benefit estimate electronically, access the *Your Benefits Resources*™ Web site at http://www.ybr.com/aetna or call the Aetna HR Helpline at 1-800-AETNA-HR (1-800-238-6247) to reach the Aetna Retirement Service Center. Aetna Retirement Service Center Benefits Consultants are available between 8:00 a.m. and 5:00 p.m. Eastern time, Monday through Friday.

Disclosure Statement and Disclaimer

This notice is intended to comply with the requirements of section 101(f) of the Employee Retirement Income Security Act of 1974, as amended. The disclosures provided in this notice are based on information available and believed to be accurate as of the date this notice is provided. All computations reflected in these disclosures have been performed based on a good faith interpretation of the applicable statutory and regulatory guidance in effect on the date this notice is provided. Such information and computations include, but are not limited to, the measurement of plan liabilities, reported values of plan assets, and allocation of assets. However, actual results for the Plan Year may change and will not be considered final until filed with the Department of Labor as part of the Annual Report (i.e., the Form 5500). Subsequently, such results will change only by amendment of the Annual Report for the plan year. See the Right to Request a Copy of the Annual Report section for information about how to obtain a copy of the Annual Report. The plan sponsor does not undertake any obligation to update or publicly release any revisions to this notice, and no such revisions will be issued, to reflect any changes, including but not limited to, changes in the manner in which particular calculations are performed, changes in expectations, the adoption of plan amendments or any other events or circumstances occurring after this notice is provided.

Information is as of 4/28/09

Frequently Asked Questions
Aetna Pension Plan (the "Plan")

Q. Why did I recently receive an Annual Funding Notice regarding the Plan?

A. The Annual Funding Notice is a notice that we are required to send you to comply with a federal law known as the Pension Protection Act of 2006 (PPA). Its purpose is to give you information regarding the funding status of the Plan. The information contained in the Annual Funding Notice, and the way the information is presented, are as required by the PPA and the Department of Labor. This notice replaces the Summary Annual Report that participants received annually for Plan years prior to 2008.

Q. How do the numbers presented in the Annual Funding Notice differ from the numbers presented in Aetna's 2008 Annual Report, Financial Report?

A. Aetna's Annual Report, Financial Report was prepared in accordance with U.S. generally accepted accounting principles (or, "GAAP"). GAAP requires us to calculate the Plan's benefit obligations and the fair value of Plan assets using formulas that are different from the formulas required by the PPA and the Department of Labor, for the Annual Funding Notice.
Furthermore, the information in Aetna's Annual Report, Financial Report is for both of Aetna's pension plans. The Aetna Pension Plan (which is a tax-qualified pension plan) and an unfunded supplemental pension plan are combined for disclosure purposes in the Annual Report, Financial Report. The information in the Annual Funding Notice applies only to the Aetna Pension Plan.

Q. What is Aetna's position on funding the Plan?

A. Aetna's funding policy for the Plan is to contribute an amount for each Plan year that is no less than the minimum amount required by law under ERISA and the Internal Revenue Code. At its discretion, Aetna may contribute additional amounts in excess of the minimum required, and has made such additional contributions in the past. Aetna Inc. also limits the amount it contributes to no more than the maximum tax deductible amount determined under the Internal Revenue Code.
We do not have a contribution requirement for 2009; however, we intend to make a voluntary contribution of approximately $45 million to the Plan in 2009.

Q: How safe is my Aetna pension?

A: The Company's tax-qualified pension benefits earned (accrued) to date are secure for the following reasons:

- Aetna has invested in the Aetna Pension Plan. Aetna has made contributions into a separate trust outside of Aetna Inc. since the creation of the Plan in the 1950s to meet the long-term benefits promised to eligible participants and their beneficiaries. These contributions have been invested over the years in a diversified mix of assets. The Plan was adequately funded as of its last formal valuation (December 31, 2008); recent internal estimates show the Plan continuing to be adequately funded.
- Federal laws require companies to maintain certain funding levels. Aetna Inc. is responsible for ensuring that the Plan maintains a safe funded status. Federal laws are in place to enforce this obligation, including determining required annual contributions. Aetna has not been required to contribute to the Plan since the mid-1990s but has continued to voluntarily contribute to the Plan to make sure high funding levels are maintained.
- Pension benefits are protected by insurance. The Aetna Pension Plan is insured by the federally-chartered Pension Benefit Guaranty Corporation (PBGC). This insurance guarantees that pension benefits (up to certain prescribed limits) are protected regardless of the funding adequacy of the Plan and the financial health of Aetna Inc.

Q: Has Aetna made mandatory contributions to the tax-qualified Pension Plan in recent years?

A: Aetna has not been required to make contributions to the Plan since the mid-1990s. However, regular voluntary contributions have been made based on our internal calculations and funding standards to ensure adequate funding levels are maintained. Voluntary contributions totaled $45 million in 2008 and over $1.1 billion over the last 5 years (2004 – 2008)

Q: What would happen to my tax-qualified pension if Aetna had financial difficulties?

A: Aetna would still be required to meet its pension obligations. If it was financially unable to do so, certain accrued benefit obligations would be assumed and honored by the PBGC (up to prescribed PBGC limits).

Q: Can Aetna use the Aetna Pension Plan assets for its own corporate purposes?

A: No, the Aetna Pension Plan's assets are required to be used for the exclusive benefit of Plan participants and to pay Plan expenses. Aetna's Plan must be administered solely in the interest of, and for the exclusive purpose of providing benefits to Plan participants and beneficiaries.

Q: Can Aetna reduce my pension benefits?

A: Aetna reserves the right to change, freeze or terminate the Plan in the future. However, under federal law a participant's accrued pension benefit cannot be reduced as a result of such action.

Q: What is the size of the Aetna Pension Plan? How large are the annual benefit payments out of the Plan?

A: The Aetna Pension Plan had approximately $4 billion of assets at year end. Expected benefit payments for 2009 are approximately $280 million.

Q: What types of investments are in the Aetna Pension Plan?

A: The Aetna Pension Plan maintains a diversified collection of investments mainly in U.S. and international stocks, fixed income securities (U.S. government and agency securities, corporate bonds, asset-backed securities and cash), and commercial real estate and farmland properties.
Recent Asset Allocations (approximate)
Equity (Stock) Securities 58%
Fixed Income (Debt) Securities 29%
Real Estate / Other 13%

Q: Does the Aetna Pension Plan hold any Aetna-issued stock or bond securities?

A: The Plan has very limited direct exposure to Aetna Inc. (less than 0.1 percent). This exposure is due to passive investments in U.S. stock index funds that, by design, have stock ownership positions in every large, publicly-traded U.S company, including Aetna.

Q: Are any assets in the Aetna Pension Plan difficult to value? How much and how are values assigned for these types of investments?

A: Almost all the investments in the Plan are valued daily based on market prices. More specifically:

- Approximately 88 percent of Plan assets are marketable securities which are traded on public exchanges daily.
- Commercial real estate and property holdings (11 percent of Plan assets) are appraised by independent professional appraisers and audited by external accounting firms annually. These values are reviewed and adjusted quarterly by outside real estate professionals responsible for overseeing these investments.
- Private equity investments (1 percent of Plan assets) are evaluated by general partners and internal private equity professionals quarterly. Outside accounting firms audit these private equity partnerships annually.

For more information regarding the Aetna Pension Plan, please consult the Plan's Summary Plan Description which can be accessed through the internet, using your Social Security number and password at http://www.ybr.com/aetna or if you are an active employee through the Working at Aetna website on AetNet, by going to the Financial Education Center page and clicking on "Pension Plan"; or in e.Service, under "Pay and Benefits."