

AETNA INC /PA/
Form 11-K
June 26, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 11-K
(Mark One):

☒ ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 1-16095

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Aetna Affiliate 401(k) Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Aetna Inc.
151 Farmington Avenue
Hartford, Connecticut 06156

REQUIRED INFORMATION

1. Financial Statements and Schedules (and Notes thereto)
2. Consent of Independent Registered Public Accounting Firm to Incorporation By Reference (attached)

SIGNATURES

Aetna Affiliate 401(k) Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan Administrators have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Aetna Affiliate 401(k) Plan

Date: June 26, 2015

By:

/s/ Kay D. Mooney

Name: Kay D. Mooney

Title: Vice President, Employee Benefits

AETNA AFFILIATE 401(k) PLAN

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Note: The following schedules are required by Section 103 of the Employee Retirement Income Security Act of 1974, but have not been included as they are not applicable:

⌘ Schedule of Investment Assets (Both Acquired and Disposed of Within the Plan Year)

⌘ Schedule of Reportable Transactions

⌘ Nonexempt Transactions

⌘ Schedule of Loans or Fixed Income Obligations in Default or Classified as Uncollectible

⌘ Schedule of Leases in Default or Classified as Uncollectible

Report of Independent Registered Public Accounting Firm

The Plan Administrator

Aetna Affiliate 401(k) Plan:

We have audited the accompanying statements of net assets available for benefits of the Aetna Affiliate 401(k) Plan (the Plan) as of December 31, 2014 and 2013, and the related statement of changes in net assets available for benefits for the year ended December 31, 2014. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2014 and 2013, and the changes in net assets available for benefits for the year ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

The supplemental information in the accompanying schedules of Schedule of Assets (Held at End of Year) as of December 31, 2014 has been subjected to audit procedures performed in conjunction with the audit of the Plan's 2014 financial statements. The supplemental information is presented for the purpose of additional analysis and is not a required part of the financial statements but include supplemental information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

The supplemental information is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental information in the accompanying Schedule of Assets (Held at End of Year) as of December 31, 2014 is fairly stated in all material respects in relation to the 2014 financial statements as a whole.

/s/ KPMG LLP

Hartford, Connecticut

June 26, 2015

AETNA AFFILIATE 401(k) PLAN

Statements of Net Assets Available for Benefits

December 31, 2014 and 2013

	2014	2013
Assets:		
Investments at fair value:		
Plan interest in Aetna 401(k) Master Trust (note 3)	\$ 76,121,185	\$ 67,338,799
Total investments	76,121,185	67,338,799
Participant loans (note 1 (g))	2,119,983	1,518,337
Receivables:		
Employer contributions	59,284	110,503
Employee contributions	27,434	178,826
Total receivables	86,718	289,329
Total assets	78,327,886	69,146,465
Net assets reflecting all investments at fair value	78,327,886	69,146,465
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(159,119) (133,567)
Net assets available for benefits	\$ 78,168,767	\$ 69,012,898

See accompanying notes to the financial statements.

AETNA AFFILIATE 401(k) PLAN

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2014

Additions to assets attributed to

Investment income:

Income from investment in Aetna 401(k) Master Trust (note 3)	\$ 5,050,084
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Interest income - participant loans	68,541
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Contributions:

Participant	7,032,722
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Employer	2,275,239
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Total contributions	9,307,961
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Total additions	14,426,586
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Deductions:

Benefits paid to participants	5,255,725
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Administrative expenses	14,992
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Total deductions	5,270,717
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Net increase	9,155,869
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Net assets available for benefits:

Beginning of year	69,012,898
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End of year	\$ 78,168,767
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See accompanying notes to the financial statements.

AETNA AFFILIATE 401(k) PLAN
Notes to Financial Statements
December 31, 2014 and 2013

(1) Description of Plan

The following description of the Aetna Affiliate 401(k) Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

(a) General

In June 2011, Aetna Health Holdings, a subsidiary of Aetna Inc. (the Company) acquired Prodigy Health Group, Inc. (Prodigy), a third-party administrator of self-funded health care plans. Effective January 1, 2013, Aetna Affiliate 401(k) Plan, a participant directed defined contribution plan, was established as a voluntary savings plan that provides retirement income to eligible employees who are U.S. employees employed by Prodigy. Employees of Prodigy are immediately eligible for plan participation upon the employee's employment commencement date. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Effective December 31, 2014, the Plan Sponsor elected to freeze the Plan. As such, no further contributions, including matching contributions will be made to the Plan. The Plan will continue to operate and earnings\deductions thereon will continue to be applied to participant's accounts.

(b) Administration

The Plan has multiple investment options for eligible employees. The Plan's recordkeeper is Voya Institutional Plan Services, LLC (Voya IPS) (fka ING Institutional Plan Services, LLC). The trustee of the Plan is State Street Bank (State Street). Effective January 1, 2013, the Company entered into a master trust agreement with State Street and established the Aetna 401(k) Master Trust (Master Trust). Collectively, the Master Trust serves as the funding vehicle for both the Plan and the Aetna 401(k) Plan. Each participating retirement plan has a divided interest in the individual assets of the Master Trust based upon participant direction.

Contributions

Qualified Automatic Contribution Arrangement

All employees will be automatically enrolled in the Plan at a 3% pretax contribution rate unless the employee chooses a different rate or opts out of participation. Auto enrolled participants will have the automatic rate escalator feature enabled, which will automatically increase the pretax contribution rate by 1% each year to a maximum of 6% of eligible pay. To the extent that no investment election is made, contributions will be invested in the SSgA Target Retirement Fund that most closely matches the participant's Social Security full retirement age. Participants may choose to change their contribution rate or reallocate their contributions among other investment funds available in the Plan.

Effective January 1, 2014, the automatic pretax contribution rate percentage increased from a maximum of 6% to 10% of eligible pay.

Participant Contributions

Employees may elect to contribute 1% to 40% of their eligible pay on a pretax basis and/or on an after-tax basis as a Roth 401(k) contribution. Participants may also contribute 1% to 5% of their eligible pay on an after tax basis as a traditional (non Roth account) after tax contribution.

AETNA AFFILIATE 401(k) PLAN
Notes to Financial Statements
December 31, 2014 and 2013

Eligible participants may contribute both pretax and Roth 401(k) contributions up to a combined maximum of \$17,500 in both 2014 and 2013 in accordance with the Internal Revenue Code (IRC) qualified retirement plan limits.

Employees age 50 and older are allowed to make an additional pretax contribution or Roth 401(k) contribution, or both, to the Plan over and above the Internal Revenue Service (IRS) plan limits. The maximum amount allowed for catch up contributions was \$5,500 for both tax years ended December 31, 2014 and 2013.

Lastly, participants may contribute amounts representing eligible rollover distributions from eligible retirement plans. These rollover amounts are considered to be participant contributions.

Employer Contributions

Participants are immediately eligible to receive a 50% employer company match contribution on the first 6% of eligible pay contributed to the Plan on a combined pretax and Roth 401(k) basis. The matching contributions are made in cash and invested according to each participant's investment elections.

Participant pretax contributions and employer contributions, and earnings thereon, are not taxed until withdrawal. Contributions are funded after each bi weekly payroll cycle.

(c) Participant Investment Elections

Participants may direct their investment contributions and employer contributions among twenty-one investment options offered by the Plan. The twenty-one investment options currently offered include seven investment funds, eleven target retirement funds, Stable Value Option (SVO), Aetna Common Stock Fund, and a Self Directed Brokerage Account. Participants are allowed to change their investment options subject to certain restrictions. For example, certain investment funds are subject to a 30 day transfer restriction, which prevents a participant from transferring assets back into the same fund that assets were recently sold from for a period of 30 days. In addition, participant elections to invest in the Aetna Common Stock Fund are limited to no more than 20% of the participant's account balance.

(d) Participant Accounts

On a bi weekly basis, each contributing participant's account is credited with the participant's contribution and the Company match. Earnings on investments are allocated based on account balances and are credited daily. Investment fund earnings are net of expenses.

(e) Vesting

Participants are vested in their deferral contributions plus actual earnings thereon. Participants are also immediately vested in the Company's matching contributions and earnings on those contributions.

(f) Participant Loans

Participants may borrow at a minimum \$1,000 from their Plan account up to the lesser of \$50,000 or 50% of the current value of their vested account balances. Loans bear interest at prime plus 1% at the time granted. A \$50 per loan origination fee is charged to participants upon withdrawal. The amounts

AETNA AFFILIATE 401(k) PLAN
Notes to Financial Statements
December 31, 2014 and 2013

held for loans receivable are stated at amortized cost. As of both December 31, 2014 and 2013, interest rates on loans outstanding range from 3.25% to 7.25%.

(g) Payment of Benefits

On termination of service, a participant with a vested account greater than \$5,000 may elect to take a lump sum distribution or roll over their account balance to another qualified plan or Individual Retirement Account (IRA), or may defer payment to a later date. Participants with a vested interest of \$5,000 or less may elect to take a lump sum distribution or roll over their account balance to another qualified plan or IRA. Participants who do not make an election with balances ranging from \$1,000 to \$5,000 will automatically have their balances rolled over to a traditional/Roth IRA.

(h) Participant Forfeitures

Forfeitures that occur may vary from year to year depending upon various Plan activities such as forfeited accounts transferred to the Plan from acquired companies, and vesting rules regarding former performance based match programs. If a participant terminates employment without being fully vested, any unvested Company contributions (and earnings thereon) will be forfeited in accordance with the Plan's terms. For the years ended December 31, 2014 and 2013, forfeited nonvested accounts totaled approximately \$0 and \$1,725 respectively. These forfeitures were or will be used to reduce future employer contributions or to offset plan expenses. In 2014 and 2013, forfeited nonvested accounts offset employer contributions by \$1,924 and \$36,720, respectively. Forfeitures are invested in the SVO fund (for additional information refer to note 5).

(i) Employee Stock Ownership Plan

The portion of the Plan invested in the Aetna Common Stock Fund is designated as an employee stock ownership plan (ESOP). Under the ESOP, a participant can elect to receive, in cash, dividends that are paid on stock in the Aetna Common Stock Fund.

(2) Summary of Accounting Policies

(a) Basis of Presentation

The accompanying financial statements of the Plan have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Investment contracts are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. The Statement of Net Assets Available for Benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared using the contract value basis for fully benefit-responsive investment contracts.

AETNA AFFILIATE 401(k) PLAN
Notes to Financial Statements
December 31, 2014 and 2013

(b) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities in these financial statements and accompanying notes. Accordingly, actual results may differ from reported results using those estimates.

(c) Investment Valuation and Income Recognition

Plan assets are held in the Master Trust, which is maintained by State Street, the trustee. The Master Trust investments are stated at fair value which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Master Trust investments, investment returns, and plan expenses are allocated to participating plans based on the underlying equity of each plan in each investment fund administered through the Master Trust. All investment allocations are participant-directed.

Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) in fair value of investments represents both realized and unrealized gains and losses. Refer to note 4, Fair Value Measurement, for further information related to the valuation of Master Trust investments.

(d) Plan Expenses

Investment management and advisory fees are deducted from fund earnings. Administrative expenses relating to plan administration, trustee, accounting and legal fees are charged based on a percentage of the Plan's assets and allocated to each of the investment options.

(e) Payment of Benefits

Benefits are recorded when paid. Benefit amounts due to participants are not reflected as liabilities but as a component of net assets available for benefits.

(f) Future Application of Accounting Standards

Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)

Effective January 1, 2016, the Plan will adopt new accounting guidance related to disclosures for investments that calculate net asset value per share (NAV). This new guidance removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. Early adoption of this new guidance is permitted. The adoption of this new guidance will not have a material impact on the Plan's financial position or operating results.

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Notes to Financial Statements
December 31, 2014 and 2013

(3) Investments in Master Trust

The Plan's proportionate interest in the investments held by the trustee is approximately 1% at December 31, 2014 and 2013. The following is financial information with respect to the Master Trust (excluding participant loans) that has been certified by the trustee as complete and accurate.