

AETNA INC /PA/
Form 11-K
June 28, 2018

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, 2017

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 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 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 401(k) Plan

Date: June 28, 2018 By: /s/ Kay D. Mooney
Name: Kay D. Mooney
Title: Vice President, Employee Benefits

AETNA 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
To the Plan Participants and Plan Administrator

Aetna 401(k) Plan:

Opinion on the Financial Statements

We have audited the accompanying statements of net assets available for benefits of the Aetna 401(k) Plan (the Plan) as of December 31, 2017 and 2016, the related statement of changes in net assets available for benefits for the year ended December 31, 2017, and the related notes (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2017 and 2016, and the changes in net assets available for benefits for the year ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

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 are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Plan in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Accompanying Supplemental Information

The supplemental information in the accompanying Schedule H, line 4i Schedule of Assets (Held at End of Year) as of December 31, 2017 has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. 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 is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/KPMG LLP

We have served as the Plan's auditor since 1976.

Hartford, Connecticut
June 28, 2018

AETNA 401(k) PLAN

Statements of Net Assets Available for Benefits

December 31, 2017 and 2016

	2017	2016
Assets:		
Investments:		
Investment at fair value in the Aetna 401(k) Master Trust	\$6,688,004,970	\$5,520,493,278
Investment at contract value in the Aetna 401(k) Master Trust	1,688,830,442	1,781,139,863
Total investments	8,376,835,412	7,301,633,141
Participant loans	165,013,677	165,907,972
Receivables:		
Employer contributions	12,914,237	13,220,212
Employee contributions	6,747,888	7,194,056
Total receivables	19,662,125	20,414,268
Net assets available for benefits	\$8,561,511,214	\$7,487,955,381

See accompanying notes to Financial Statements.

AETNA 401(k) PLAN
Statement of Changes in Net Assets
Available for Benefits
Year ended December 31, 2017

Additions to assets	
attributed to:	
Investment income:	
Income from investment in Aetna 401(k) Master Trust (note 3)	\$1,278,309,976
Interest income from participant loans	7,278,033
Contributions:	
Participant	334,956,228
Employer	196,281,592
Total contributions	531,237,820
Total additions	1,816,825,829
Deductions:	
Benefits paid to participants	739,805,930
Administrative expenses	3,464,066
Total deductions	743,269,996
Net increase	1,073,555,833
Net assets available for benefits:	
Beginning of year	7,487,955,381
End of year	\$8,561,511,214

See accompanying notes to Financial Statements.

AETNA 401(k) PLAN
Notes to Financial Statements
December 31, 2017 and 2016

(1) Description of Plan

The following description of the Aetna 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

The Plan, a participant-directed defined contribution plan, is a voluntary savings plan that provides retirement income to eligible employees who are U.S. employees, employed by Aetna Inc. (the Company) or a participating company. The Company's Benefits Finance Committee oversees the appropriateness of the Plan's investment offerings, and monitors investment performance. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

(b) Administration

The Plan has multiple investment options for eligible employees. The Plan's record keeper is Voya Institutional Plan Services, LLC (Voya IPS). The trustee of the Plan is State Street Bank and Trust Company (SSBT). The Company has a master trust agreement with SSBT and established the Aetna 401(k) Master Trust (Master Trust). The Master Trust serves as the funding vehicle for the Plan. Each participating retirement plan has a divided interest in the individual assets of the Master Trust based upon participant direction. Currently, the Plan is the only participant in the Master Trust.

(c) Contributions

Qualified Automatic Contribution Arrangement

The Company includes a qualified automatic contribution arrangement in the Plan. New and rehired employees are 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 10% of eligible pay. To the extent that no investment election is made, contributions will be invested in the 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.

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 who are not highly compensated employees may also contribute 1% to 5% of their eligible pay on an after tax basis as a traditional (non-Roth account) contribution.

Eligible participants may contribute both pretax and Roth 401(k) contributions up to a combined maximum of \$18,000 in both 2017 and 2016 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 \$6,000 for both tax years ended December 31, 2017 and 2016, respectively.

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

AETNA 401(k) PLAN
Notes to Financial Statements
December 31, 2017 and 2016

Employer Contributions

Participants are immediately eligible to receive a 100% 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. Participants may elect to make a Roth in plan conversion. Contributions are funded after each bi weekly payroll cycle.

(d) Participant Investment Elections

Participants may direct their investment contributions and employer contributions among twenty-two investment options offered by the Plan. The twenty-two investment options currently offered include eight 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. The Company or an investment fund in the Plan may impose restrictions on the frequency of transfer from one investment fund to another or a limit on the investment percentage allowed for a particular fund. For example, participant elections to invest in the Aetna Common Stock Fund are limited by the Plan to no more than 20% of the participant's account balance.

(e) 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.

(f) Vesting

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

(g) 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. The loans are secured by the participant's vested account balance and bear interest at prime plus 1% at the time granted. A \$50 per loan origination fee is charged to participants upon withdrawal. The amounts held for loans receivable are stated at amortized cost. Principal and interest is paid ratably through monthly payroll deductions. As of December 31, 2017 and December 31, 2016 interest rates on loans outstanding range from 3.25% to 10.50%.

(h) 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 Voya Individual Retirement Account. Participants who do not make an election with balances under \$1,000 will automatically receive a lump sum distribution.

AETNA 401(k) PLAN
Notes to Financial Statements
December 31, 2017 and 2016

(i) 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. As of December 31, 2017 and 2016, forfeited nonvested accounts totaled approximately \$81 and \$6, respectively. These forfeitures were or will be used to reduce future employer contributions or to offset plan expenses. In 2017 and 2016, forfeited nonvested accounts offset employer contributions by \$151,758 and \$1,259,379, respectively. Forfeitures are invested in the SVO fund (for additional information refer to note 5).

(j) 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 or reinvest in the Aetna Common Stock Fund. If no election is made, dividends are automatically re-invested 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).

Investments held by the Plan are required to be reported at fair value, except for fully benefit-responsive investment contracts. Contract value is the relevant measure 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.

(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 SSBT, the trustee. The Master Trust investments with the exception of Stable Value Option 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.

AETNA 401(k) PLAN
Notes to Financial Statements
December 31, 2017 and 2016

(d) Plan Expenses

Investment management and advisory fees are reported in net appreciation of fair value of investments. 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

Recognition and Measurement of Financial Assets and Financial Liabilities

Effective January 1, 2018, the Plan adopted amended accounting guidance related to the recognition and measurement of financial assets and financial liabilities. The new guidance revised certain disclosures regarding financial assets and liabilities. The adoption of this new guidance will not have a material impact on the Plan's financial position or operating results.

Employee Benefit Plan Master Trust Reporting

Effective January 1, 2019, the Plan will adopt amended accounting guidance related to disclosure requirements for employee benefit plans that hold interests in master trust. The new guidance clarifies presentation requirements and will require more detailed disclosures of the plan's interest in the master trust. The adoption of this new guidance is not expected to have a material impact on the Plan's financial position or operating results.

(3) Investments in Master Trust

The Plan's proportionate interest in the investments held by the trustee is 100% at December 31, 2017 and December 31, 2016, respectively. The following is financial information with respect to the Master Trust (excluding participant loans):

	As of	
	December 31,	
	2017	2016

Investments, at fair
value:

Common/collective
trusts