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News

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Your Aetna Pension

How Secure?
How Well Funded?

Your ARA has focused much of its attention on health benefits and their delivery. This seems appropriate because the organization came into being as a result of a health benefit take-away. Also, health benefits do not enjoy the kind of protections that pensions have through ERISA. They are, inherently, less safe.

However, we also realize that the Aetna Pension is probably of more value and importance to most retirees. Most of our members understand this, and a few have asked us to look at the pension plan and gauge its safety.

We intended to start to answer this question by publishing an Aetna “Frequently Asked Questions” (FAQ) document dated October 31, 2008. That document paints a positive and optimistic picture of the current status of the pension plan. However, on checking with Aetna, we learned that the company views that document as no longer suitable for general circulation. It would not be responsible for us to publish this material when the company views it in this way. A company spokesperson reports that Aetna is “weeks away from the official 2008 pension plan valuation” and will release a statement when that is completed. In other words, Aetna has no official statement on the plan available at this time.

ARA is not, of course, in a position to make a formal evaluation of the plan on its own. That would involve access to detailed information, and a lengthy study by specialists. However, we do have Board members with extensive experience in the investment and actuarial aspects of such plans. We asked them to take a “preliminary” look.

First the good news! Pension funds seem to be professionally and appropriately invested. Our sharp-eyed experts could find nothing that appeared unwise or over risky. No danger signs – not even any major caution lights! While our quick look does not allow us to vouch for the plan, it does suggest that there is probably no need to be concerned about investments.

The question of adequate funding is another matter. However, with the financial markets in turmoil, the Dow down about 40%, and real estate prices on the skids, it would not be surprising to find the plan under funded. It is likely that many similar plans are the same. However, nothing we saw seemed to be a reason for immediate alarm. Aetna has handled the plan responsibly in the past and seems likely to continue.

We regret that we cannot supply you with an immediate and authoritative answer at this time, but we will continue to monitor the situation and release information to you as it becomes available.

Explaining the COLA Gap

For 2009, Social Security will adjust up 5.8%. The Aetna Pension adjustment will be just 3%. That's why some of our members have been asking questions.

The simple answer is easy enough; the COLA in the Aetna pension plan is capped at 3%. If the formula turns out a larger number, the adjustment is the full 3%, but no more. That is the case this year. For the past 25 years, since the rapid inflation of the late 1970s and early 1980s, inflation has been kept low and the Aetna pension has kept pace. Since 1995, the cap has applied only twice before – in 2001 and 2006.

For a more detailed look at how the COLA is calculated, go to our web site: http://www.aetnaretirees.com/. Click on "Our Newsletter" and open Volume III, Edition 4, dated January, 2007. The article -- "Aetna Cola Hits a Soft Spot!" -- will give you the full picture. If you do not have access to the Internet, we will be happy to mail a copy to you.

Social Security is not normally capped and is not capped this year, so your Social Security checks (gross before deductions) will go up 5.8%. However, under a 1983 law, it could be capped in any given year subject to the adequacy of the Social Security Trust Funds. You can find out more about this on the Internet at: http://www.socialsecurity.gov/OACT/COLA/colasummary.html

ARA would like to remind members that our Aetna pensions are an excellent example of a promise made and a commitment honored by the company. While the COLA in the plan is capped to protect the company from periods of runaway inflation, the 3% allowed works in most years. Not all pensions have COLAs. Not all companies provide pensions. We are fortunate to have a very good one.

Aetna in the News

Aetna gets Dubai Contract

Aetna, along with Gateway Health Care, has signed a contract with the Dubai Health Authority to provide care management programs for outpatient clinics in that Middle East country. Another company, GlobeMed Gulf, will also participate.

The clinics are a part of a new government-sponsored health system to provide affordable basic care to residents. It is anticipated that 300 to 500 clinics will join the system this year. The Dubai government provides health programs to 1.5 million residents.

1,000 Jobs Cut

Following economic trends, Aetna cut 1,000 jobs or about 3% of its workforce in December. A company news release said that the cuts are designed to align expected administrative costs in 2009, and to redirect resources to areas of greater growth potential.

As the economy weakens and many businesses cut staff, health insurers worry about enrollment losses, investment performance and the bottom line. In making the announcement, Aetna Chief Executive Ron Williams said, "The fundamentals of our business are solid, and we continue to win in the marketplace."

Aetna is the Number 3 U. S. health insurer and has about 36,200 employees.

CONTACT ARA!

We welcome your comments, questions, ideas and letters to the editor. **See mail and website addresses on page 1.**

Dave Smith, Editor