



**Aetna Life Insurance Company**  
**Large Case Pensions –Client Services**  
151 Farmington Avenue, RTAA  
Hartford, CT 06156-9260

**Wayne D. Post**  
**Client Service Manager**  
Phone: 860-273-6241  
Fax: 860-262-7560

September 20, 2013

Mr. Robert H. Skinner  
Chief Administrative Officer  
Town of Canton  
4 Market Street  
P.O. Box 168  
Collinsville, CT 06022

**Subject: The Town of Canton**  
**Contract No: GA-3206**

Dear Mr. Skinner :

This letter provides you with important information about your Aetna Life Insurance Company contract for the year 2014. The following exhibits are included with this letter:

- 2014 Contract Asset Fee Exhibit
- 2014 Benefit Payment Service Fee Exhibits
- Ten Year Book Value Cash Out Discontinuance Option Exhibit
- Lump Sum Market Value Withdrawal Formula Exhibit

Contract Asset Fees have not increased. Benefit Payment Annual Service Fees and Benefit Payment Transaction Level Fees are increasing by approximately 2% for the 2014 fee schedule.

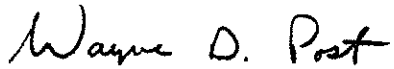
Due to this increase, we wish to remind you that you do have the right to discontinue your contract before these changes take effect, and withdraw any unallocated funds either in a lump sum at market value or by utilizing the Ten Year Book Value Cash Out Discontinuance Option. If you wish to elect either of these options, you may do so by sending a written request to:

Debra M. Roznar  
Customer Service Consultant  
Aetna Life Insurance Company  
Large Case Pensions – RTAA  
151 Farmington Avenue  
Hartford, CT 06156-9260

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All fees are guaranteed for calendar year 2014. If you have any questions regarding this letter, the exhibits or the changes in fees, please contact Debra M. Roznar, your LCP Customer Service Consultant, at (860) 273-3663.

Sincerely,

A handwritten signature in black ink that reads "Wayne D. Post". The signature is written in a cursive style with a large, prominent "W" and "P".

Wayne D. Post  
Client Service Manager

c: Debra M. Roznar, Aetna - Large Case Pensions

# Aetna Life Insurance Company Large Case Pensions

## Immediate Participation Guarantee Contract 2014 Contract Asset Fee Exhibit

Contract fees are guaranteed during 2014.

### Asset Fee

The asset fee equals the sum of (a), (b) and (c), prorated for periods other than 12 months:

- (a) **Flat Contract Fee:** \$3,250;
- (b) **Annuity Allocation Fee:** The amount determined by applying the following scale, starting at the top of the scale, to the mean value of the required Annuity Allocation:

	Mean <u>Annuity Allocation</u>	Percentage <u>Fee</u>
First	\$1,000,000	1.250%
Next	\$4,000,000	1.200%
Next	\$5,000,000	0.490%
Next	\$15,000,000	0.180%
Next	\$75,000,000	0.140%
Next	\$400,000,000	0.120%
Next	\$1,500,000,000	0.090%
Over	\$2,000,000,000	0.035%

- (c) **Unallocated Asset Fee:** The amount determined by applying the following scale to the mean assets of the Fund in excess of the required Annuity Allocation (i.e., Unallocated Assets), beginning at the point-in-scale using the mean Annuity Allocation as the base.

	Mean <u>Unallocated Assets</u>	Percentage <u>Fee</u>
First	\$1,000,000	0.500%
Next	\$4,000,000	0.450%
Next	\$5,000,000	0.350%
Next	\$15,000,000	0.180%
Next	\$75,000,000	0.140%
Next	\$400,000,000	0.120%
Next	\$1,500,000,000	0.090%
Over	\$2,000,000,000	0.035%

If the mean Annuity Allocation exceeds the mean assets of the Fund, item (c) will not apply.

### Example of Asset Fee Calculation

The annual fee for a contract with a mean Annuity Allocation of \$1.0 million and mean Unallocated Assets of \$1.5 million would be a flat contract fee of \$3,250 and 1.250% for the \$1.0 million Annuity Allocation and .450% for the \$1.5 million unallocated assets.

The asset fees will be reduced if the contract qualifies for the multiple contract discount.

### Extra Reporting Account Fee

If you require separate financial information for various groups, a fee of \$1,100 is charged for each such group in excess of one. This fee is prorated for periods other than 12 months.

### Miscellaneous Fees

Each Payment of Non-Aetna Expenses: \$95.00

**Aetna Life Insurance Company**  
**Large Case Pensions**  
**General Account - Segment 4**  
**2014 Benefit Payment Service Fee Exhibit**

**Benefit Payment Service Fee Overview**

Benefit Payment Service fees are guaranteed for 2014. The fee structure for the General Account consists of:

**Annual Service Fees**

These fees cover Plan level expenses for information maintained on our systems. The expenses include the establishment and maintenance of account and reporting structures for billing and Plan level reporting.

- Annual Benefit Payment Service Fee \$990.00
- Additional Benefit Service Accounts beyond the first \$235.00
- Automatic cost-of-living adjustments \$120.00
- Non-tax deduction (per deduction type) \$580.00

**Transaction Level Fees**

These fees are assessed for each new payee benefit set-up. If the payee has employee contributions, the benefit set-up fee is increased by \$70.50. There will be an additional fee of \$83.00 for any new benefit set-up on a priority basis.

- Payments we guarantee:  
Each new payee \$255.00
- Non-guaranteed payments:  
Each new payee \$135.00

*If a payee's benefit is partially guaranteed and partially non-guaranteed, the set-up fee is \$255.00.*

- Qualified Domestic Relations Order Review:  
Each document reviewed \$255.00
- Ongoing Repetitive Payment Records:  
Each payment record – Draft \$3.85  
Each payment record– EFT (U.S.) \$3.00

**Transaction Level Fees (continued)**

- Provide Copy of Draft:  
Each copy \$32.00

- Lump Sum Payments (new or revision):  
Each lump sum \$135.00

*If a participant elects to split a lump sum into two or more payments, a fee of \$7.00 will be assessed for the second payment and any additional payments required.*

- Processing for Deaths:  
Each death: Initial processing \$88.50  
Each payee: Establishing payments to a successor payee \$70.50

- Client Notification of Death, Address Change or Other Activity Reported By Participant  
Each client notification \$32.00

*At request of client, Aetna will provide notification of any death, address change or other activity identified by the client that is reported to Aetna.*

- Statement for Electronic Fund Transfer to Payee:  
Each statement \$1.30

- Revision Processing:  
Each benefit setup revision \$70.50

- Automatic Cost-of-Living Adjustments:  
Each participant \$5.00

- Non-Tax Deductions: (per deduction type)  
Each record \$13.50

# Aetna Life Insurance Company

## Large Case Pensions

### 2014 Benefit Payment Services Overpayment Policy

#### Basic Policy

Aetna will accept the plan sponsor's reasonable direction, as overpayments are discovered, authorizing Aetna to attempt recovery from the payee, the beneficiary, the estate, or through banking channels.

#### A. Repetitive and Lump Sum Payments

Overpayments can result from inaccurate data or an incorrectly calculated monthly benefit payment or lump sum distribution.

1. If an error on the part of the plan sponsor has caused the overpayment, and Aetna is authorized to attempt recovery, any recovered amounts are credited to the contract fund. The overpayment will remain charged to the contract fund until recovered.
2. If an error on the part of Aetna has caused the overpayment, and Aetna is authorized to attempt recovery, any recovered amounts are credited to the contract fund. Aetna will reimburse the contract fund for any amounts not recovered.
3. If Aetna is not authorized to attempt recovery, the overpayment will remain charged to the contract fund.

When Aetna attempts recovery, and payments are repetitive, the payee will be given the option of:

1. Reimbursing Aetna in a lump sum
2. Allowing Aetna to temporarily reduce or suspend benefits
3. A combination of these approaches

The recovery of lump sum overpayments will be handled on a case-by case basis.

#### B. Late Reported Deaths

Many payees are entitled to lifetime benefits. In many cases, a payee's death is not immediately reported to Aetna (a "late reported death"). In such case, benefit payments may have been made after the payee's death, either by means of a direct deposit to their bank account or an improper cashing of their monthly benefit draft.

When the overpayment is caused by a late reported death, Aetna will automatically initiate its procedures to attempt recovery from the contingent payee, the family, the estate, or through banking channels without seeking prior plan sponsor approval.

Unrecovered overpayments of this type will remain charged directly to the contract fund. Plan sponsors will be advised of unrecovered amounts which exceed \$1,000 under a single payment record.

# Aetna Life Insurance Company

## Large Case Pensions

### 2014 Benefit Payment Service Fee Overview

#### Transaction Level Fees

Transaction Level Fees cover expenses related to providing payment services including ongoing repetitive fees for updating our system for the payment, issuing each payment, tax withholding and Call Center support. Fees may vary with the level of activity under the Plan.

As of the due date of each benefit payment, we transfer the amount of the payment from your contract to an Aetna disbursement account. Earnings on un-cashed payments commence on the payment due date shown on the payment if the payee does not cash the payment on the due date. Earnings end the day the payment is cashed or once funds are returned to your contract (if, for example, the payee cannot be located after a duly diligent search or is discovered to have died before the payment was due). Earnings on un-cashed payments are generally at money market rates. With the decline in money market rates and the significant decrease in the number of benefit payments made by draft, the total amount of float earned on uncashed benefit payments has decreased materially in recent years. For 2014, Aetna will retain these earnings as part of its overall fees.

#### Special Services

Additional fees apply for any non-standard service that we provide at your request. We will provide you with an estimate of the applicable fees before work is begun. Fees will be based on the time spent to complete the special service. Examples of special services include special processing or express mail.

#### Client Requested Reports

The fee for preparing and delivering a standard benefit report is \$180.00. Most reports can be delivered via secure e-Mail in Excel format. A sample report layout can be provided upon request at no charge. Other reports and alternate formats are available upon request. Reports may also be customized to meet your needs. Fees for special reports will be determined based on the complexity of developing the report.

#### Repetitive Payments

Retirees, or their beneficiaries, may receive their monthly retirement benefit either by draft or direct deposit to their bank via Electronic Funds Transfer (EFT).

EFT is the most efficient, reliable and safest method of payment. There are numerous benefits to EFT including:

- Payments are less likely to be lost, stolen or forged
- Payments are available the first business day of the month
- Funds are automatically and immediately available when mail may be disrupted by storms, etc.
- It is easy for payees to set up EFT

The additional administrative services to produce drafts versus EFT payments are reflected in the fees for providing these payments. These include printing and mailing the draft, bank clearing fees, postage and providing replacement drafts.

Aetna performs an annual mailing to all draft recipients which provides them with the necessary information to change to an EFT. Encouraging retirees and beneficiaries to convert to EFT provides for both their increased privacy and convenience and results in lower administrative costs under the plan.

If you have any questions on the EFT process, please call (860) 273-5290 for assistance.

# Aetna Life Insurance Company

## Large Case Pensions

### Lump Sum Market Value Withdrawal Formula Exhibit

(continued)

Example

Yield to Worst, Barclays Capital U. S. Corp.	
Investment Grade Index	5.54%
Instantaneous Rate of Return (IRR)	6.74%
Bond Value, (Market Value Factor)	1.07283390
Book Value Account Balance	\$1,000,000.00
Market Value Adjustment	\$72,833.90
Market Value Account Balance	\$1,072,833.90

2. Aetna will determine the market value of the Unallocated Amount on the date payment is made using the formula stated above. Several of the factors contained in that formula can change between the date Aetna receives the withdrawal notice and the date it pays the market value of available amounts. For example, the Barclays Capital U.S. Corporate Investment Grade Index Yield to Worst changes weekly. Future increases in this rate may have the effect of lowering the market value of the fund. Future decreases in this rate may have the effect of raising the market value of the fund. The Instantaneous Rate of Return (IRR) being earned on the Experience Fund also may increase or decrease as Aetna updates its estimated credited rates based on investment results.
3. Aetna may defer, for a period not to exceed 180 days, lump sum amounts to be paid at market value to the Contractholder for any period of time during which regular banking activities are suspended by state or federal authorities, a national securities exchange is closed for trading (except for normal holiday closings), or the Securities and Exchange Commission has determined that a state of emergency exists which may make such determination and payment impractical.
4. Any change by Aetna in the basis described in this Exhibit will become effective no earlier than 90 days following the date Aetna notifies the Contractholder in writing of such change, and then only with respect to withdrawal requests made subsequent to such effective date.

# Aetna Life Insurance Company

## Large Case Pensions

### Lump Sum Market Value Withdrawal Formula Exhibit

1. The market value of the Unallocated Amount under the contract (the unallocated general account Experience Fund available for withdrawal in a lump sum) will be an amount equal to the present value of a hypothetical bond having the following characteristics as of the withdrawal date:
  - (a) A maturity value (face amount) equal to the contractual value (book value) of the assets to be withdrawn;
  - (b) A period to maturity of 7.5 years;
  - (c) A nominal coupon rate\*, payable semi-annually, equal to the average effective annual rate of interest (Instantaneous Rate of Return, "IRR") being earned on the Experience Fund on the date of withdrawal; and
  - (d) A yield to maturity\* equal to the Yield to Worst on the U.S. Corporate Investment Grade Index\* as obtained from Barclays Capital on the last business day of the week preceding the withdrawal date.

If the Yield to Worst on the U.S. Corporate Investment Grade Index as obtained from Barclays Capital is not available, is discontinued, or is modified in a manner which would make its use inappropriate, Aetna will substitute use of a comparable index or report.

**\*Notes:**

Nominal Coupon Rate - The average effective interest being earned on the Experience Fund assets at a certain point in time. It is also called an Instantaneous Rate of Return (IRR). The IRR is determined by multiplying each increment balance by the current estimate of the interest rate applied to that increment and then dividing the resulting total interest amount produced by all increments by the current total Experience Fund balance.

Yield to Maturity --Yield to maturity will be equal to the "Yield to Worst" rate on the Barclays Capital U.S. Corporate Investment Grade Index (the "Index") on the last business day of the week preceding the date the withdrawal is actually processed. The "Yield to Worst" rate is generally lower than or equal to the yield to maturity rate listed in the Index because if market rates are higher than the coupon rate of the bond, the "Yield to Worst" assumes no prepayment; if market yields are below the coupon, the "Yield to Worst" would assume prepayment on the Call Date.

U.S. Corporate Investment Grade Index - is the Corporate component of the U.S. Credit Index as obtained from Barclays Capital.

The present value of a bond having these characteristics can be approximated by referring to a bond value book. Aetna, however, determines the exact value of a hypothetical bond by applying the following financial formula:

$$\text{Market Value Percentage} = \frac{IRR}{2} \left( \frac{1 - v^{15}}{i} \right) + v^{15}$$

where:

i = the appropriate rate from item (d) above divided by 2;

V = 1/(1+i); and

IRR is defined in item (c) above.



# Aetna Life Insurance Company

## Large Case Pensions

### Ten Year Book Value Cash Out Discontinuance Option Exhibit

(continued)

Aetna may defer, for a period not to exceed 180 days, amounts to be paid to the Contractholder under the Ten Year Book Value Cash Out Discontinuance Option for any period of time during which regular banking activities are suspended by state or federal authorities, a national securities exchange is closed for trading (except for normal holiday closings), or the Securities and Exchange Commission has determined that a state of emergency exists which may make such determination and payment impractical.

4. From the Notification Date until the Effective Date, interest will continue to be credited in accordance with the terms of the Contract. Beginning on the Effective Date and ending on the day prior to the date of the eleventh payment, interest will be credited to amounts payable under the Ten Year Book Value Discontinuance Option at a guaranteed annual effective rate of interest equal to the Nominal Coupon Rate (IRR) being earned on the Experience Fund as of the Notification Date, minus one percentage point (1.00%).
5. Beginning with the Effective Date and ending on the day prior to the eleventh payment, the contract asset fee will be guaranteed as a fixed percentage of Experience Fund assets, determined by using the asset fee schedule in effect on the Notification Date and the Unallocated Amount on the Notification Date. The Contractholder may elect to pay the contract asset fee by reducing the guaranteed interest rate being credited to the Experience Fund during the ten year cash out period in an amount equal to the guaranteed asset fee percentage. Alternatively, the asset fee can be billed to the Contractholder.
6. After the Notification Date, no withdrawals will be allowed from the Experience Fund other than (a) those specifically provided for in this Exhibit, (b) to make Annuity Payments directly to Retired Members or beneficiaries and (c) to purchase Annuity Payments at contract discontinuance.
7. If the Plan is terminated during the cash out period, Aetna will make a lump sum payment in lieu of the remaining payments. This lump sum will equal the present value of the remaining scheduled payments, less outstanding fees, if any. For the purposes of calculating the remaining payments, Aetna will assume that the credited interest rate for the period of the remaining scheduled payment(s) will be equal to the guaranteed rate, net of the guaranteed asset fee percentage. The discount rate applied to the remaining scheduled payments will be the Yield to Worst on the U.S. Corporate Investment Grade Index\* as obtained from Barclays Capital on the last business day of the week preceding the date of the lump sum payment.

If the Yield to Worst on the U.S. Corporate Investment Grade Index as obtained from Barclays Capital is not available, is discontinued, or is modified in a manner which would make its use inappropriate, Aetna will substitute use of a comparable index or report.

\*The U.S. Corporate Investment Grade Index is the Corporate component of the U.S. Credit Index as obtained from Barclays Capital.

# Aetna Life Insurance Company

## Large Case Pensions

### Ten Year Book Value Cash Out Discontinuance Option Exhibit

1. Upon discontinuance of the contract, the Contractholder may irrevocably elect in writing to withdraw, after the purchase of Aetna guaranteed Annuities, the then remaining Unallocated Amount from the Experience Fund under this Ten Year Book Value Cash Out Discontinuance Option pursuant to the provisions of this Exhibit.
2. For the purposes of the Ten Year Book Value Cash Out Discontinuance Option, the following terms are defined below:

The Experience Fund is that portion of the Fund that is allocated to Aetna's General Account. In the contract, it is referred to as the Regular Account Portion.

The Notification Date is the date Aetna receives written notice in its home office from the Contractholder electing the Ten Year Book Value Cash Out Discontinuance Option.

The Effective Date is the first day of the first month following the Notification Date.

Nominal Coupon Rate is the average effective interest being earned on the Experience Fund assets at a certain point in time. It is also called an Instantaneous Rate of Return (IRR).

The Unallocated Amount is the amount in the Experience Fund that is in excess of the Annuity Allocation.

Other terms not defined herein shall have the same meaning as provided in the Contract.

3. Upon discontinuance, the Experience Fund will be reduced by amounts required to purchase Aetna guaranteed Annuities and any due and unpaid expenses. After these deductions the remainder of the Experience Fund will, at the election of the Contractholder, be paid to the Contractholder in eleven annual scheduled payments as described herein. The first payment will be made within 90 days of the Notification Date. The second through eleventh payments will be made on the respective anniversaries of the Notification Date. If any scheduled payment date is not a regular business day (a day when both Aetna and financial markets are open for business), Aetna will make the payment on the last regular business day prior to the scheduled payment date.

The amount of each scheduled payment will equal the then remaining Experience Fund balance on the payment date, divided by the number of scheduled payments remaining (including the scheduled payment being paid on the current payment date) as illustrated below:

<u>Payment Number</u>	<u>Remaining Portion of Experience Fund Paid</u>
1 <sup>st</sup> Payment	One-eleventh
2 <sup>nd</sup> Payment	One-tenth
3 <sup>rd</sup> Payment	One-ninth
4 <sup>th</sup> Payment	One-eighth
5 <sup>th</sup> Payment	One-seventh
6 <sup>th</sup> Payment	One-sixth
7 <sup>th</sup> Payment	One-fifth
8 <sup>th</sup> Payment	One-fourth
9 <sup>th</sup> Payment	One-third
10 <sup>th</sup> Payment	One-half
11 <sup>th</sup> Payment	Remainder