

WELLPOINT INC  
Form DEF 14A  
April 13, 2006  
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**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-12

**WellPoint, Inc.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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April 13, 2006

To Our Shareholders:

The Board of Directors joins me in extending to you a cordial invitation to attend the 2006 Annual Meeting of Shareholders of WellPoint, Inc. (the Company). The meeting will be held at WellPoint, Inc.'s principal executive offices at 120 Monument Circle, Indianapolis, Indiana, at 10:00 a.m., Indianapolis time, on Tuesday, May 16, 2006.

In addition to voting on the matters described in this Proxy Statement, we will review the Company's 2005 business results and discuss our plans for 2006 and beyond. There will be an opportunity to discuss matters of interest to you as a shareholder.

We hope many of our shareholders will find it convenient to be present at the meeting, and we look forward to greeting those personally able to attend. If you are unable to attend, it is still important that your shares be represented and voted. Therefore, regardless of the number of shares you own, PLEASE COMPLETE, SIGN, AND PROMPTLY RETURN THE ENCLOSED PROXY CARD IN THE POSTAGE-PAID ENVELOPE PROVIDED, OR YOU CAN VOTE THROUGH THE INTERNET OR BY TELEPHONE BY FOLLOWING THE INSTRUCTIONS ON THE ENCLOSED PROXY CARD. No postage is necessary if the envelope is mailed in the United States. The prompt return of your proxy card will save the expense involved in further communications. Any shareholder who attends the meeting may vote in person, even if he or she has returned a proxy card.

If you plan to attend the Annual Meeting and are a registered shareholder, please bring the admission ticket attached to your proxy card. If your shares are registered in the name of a bank or your broker, please obtain a legal proxy from your bank or broker and bring it with you to the Annual Meeting.

We hope that you will be able to attend the meeting, and we look forward to seeing you.

Sincerely,

LARRY C. GLASSCOCK

*Chairman of the Board, President*

*and Chief Executive Officer*

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**WELLPOINT, INC.**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD MAY 16, 2006**

**WELLPOINT, INC.**

**120 Monument Circle  
Indianapolis, Indiana 46204**

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

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<b>TIME AND DATE</b>	10:00 a.m., Indianapolis time, on Tuesday, May 16, 2006
<b>PLACE</b>	WellPoint, Inc. 120 Monument Circle Indianapolis, Indiana 46204
<b>ITEMS OF BUSINESS</b>	(1) To elect five members of the Board of Directors for three-year terms.  (2) To approve the proposed WellPoint 2006 Incentive Compensation Plan.  (3) To ratify the appointment of Ernst & Young LLP as the independent registered public accounting firm for the Company for 2006.  (4) To transact such other business as may properly come before the Meeting and any adjournment or postponement.
<b>RECORD DATE</b>	You can vote if you are a shareholder of record on March 24, 2006.

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### ANNUAL REPORT

Our 2005 Summary Annual Report, which is not a part of the proxy solicitation material, and our 2005 Annual Report on Form 10-K, which is our Annual Report to Shareholders, are enclosed.

### PROXY VOTING

It is important that your shares be represented and voted at the Meeting. You can vote your shares by completing and returning the proxy card sent to you. Most shareholders also have the option of voting their shares on the Internet or by telephone. If Internet or telephone voting is available to you, voting instructions are printed on your proxy card or included with your proxy materials. You can revoke a proxy at any time prior to its exercise at the Meeting by following the instructions in the accompanying Proxy Statement. **If you vote by telephone or on the Internet, you do not need to return your proxy card.**

By Order of the Board of Directors

Nancy L. Purcell

*Secretary*

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**WELLPOINT, INC.**

**120 Monument Circle**

**Indianapolis, Indiana 46204**

**PROXY STATEMENT**

**Annual Meeting of Shareholders**

**May 16, 2006**

**Purpose**

This Proxy Statement is being furnished to shareholders on or about April 13, 2006 in connection with a solicitation by the Board of Directors of WellPoint, Inc. ( WellPoint , the Company , we , us or our ) of proxies to be voted at the Annual Meeting of Shareholders and any adjournment or postponements, to be held at 10:00 a.m., Indianapolis time, Tuesday, May 16, 2006, at our principal executive offices at 120 Monument Circle, Indianapolis, Indiana, for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders. Shareholders will be admitted to the Annual Meeting beginning at 9:00 a.m., Indianapolis time.

**Record Date, Quorum and Vote Required**

**Record Date** At the close of business on March 24, 2006, the record date for the Annual Meeting, there were 647,367,918 shares of Common Stock of the Company outstanding and entitled to vote at the Annual Meeting.

**Quorum** In order for business to be conducted at the Annual Meeting, a quorum must be present. A quorum will be present if 25% of the votes entitled to be cast on a matter are represented in person or by proxy.

**Vote Required** You will have one vote for each share held. Proposal 1, election of directors, will be determined by the vote of a plurality of the votes cast on such election. Proposal 2, the approval of the WellPoint 2006 Incentive Compensation Plan, will require that the number of votes cast on such proposal represent more than 50% of the votes entitled to be cast, and a majority of the votes cast must vote in favor of such proposal, in accordance with the listing standards of the New York Stock Exchange ( NYSE ). Proposal 3, the ratification of the appointment of the Company s independent registered public accounting firm, will be approved if the votes cast for the proposal exceed the votes cast against the proposal.

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Shares of Common Stock of the Company represented by properly executed proxies will be voted at the Annual Meeting in accordance with the choices indicated on the proxy. Abstentions on a specific proposal will be considered as present at the Annual Meeting and will be counted for purposes of determining whether a quorum is present. Abstentions will not be counted in the votes cast on Proposal 1, election of directors, or Proposal 3, the ratification of the appointment of the Company's independent registered public accounting firm. Abstentions will be counted as votes cast regarding Proposal 2, the approval of the WellPoint 2006 Incentive Compensation Plan and will have the same effect as a vote against this proposal.

If your shares of Common Stock of the Company are held in street name, and you do not provide your broker with voting instructions regarding Proposal 1, election of directors, or Proposal 3, the ratification of the appointment of the Company's independent registered public accounting firm, your broker will nevertheless have the discretion to vote your shares of Common Stock for the proposals. There are certain other matters, however, over which your broker does not have discretion to vote your Common Stock without your instructions, which are referred to as broker non-votes. Proposal 2, the approval of the WellPoint 2006 Incentive Compensation Plan, falls into this category. If you do not provide your broker with voting instructions on this proposal, your shares of Common Stock will not be voted on this proposal. Broker non-votes will not be considered as votes cast on this proposal but could affect the requirement that the number of votes cast on such proposal represent more than 50% of the votes entitled to be cast.

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### Shareholders

Shares of the Company Common Stock may be held directly in your own name or may be held through a stockbroker, bank or other nominee in street name. Summarized below are some distinctions between shares held of record and those owned beneficially:

**Shareholder of Record** If your shares are registered directly in your name with the Company's transfer agent, Computershare Trust Company, N.A., you are considered the shareholder of record with respect to those shares and we are sending these proxy materials directly to you. As the shareholder of record, you have the right to vote in person at the Annual Meeting or to grant your voting proxy to the persons designated by us. We have enclosed a proxy card for you to use.

**Beneficial Owner** If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of the shares held in street name, and you have received these proxy materials from your broker, bank or other nominee who is considered the shareholder of record with respect to the shares. As the beneficial owner, you have the right to direct the broker, bank or nominee on how to vote your shares and are also invited to attend the Annual Meeting. Your broker, bank or nominee is obligated to provide you with a voting instruction card for you to use. However, since you are not the shareholder of record, you may not vote these shares in person at the Annual Meeting unless you bring with you to the Annual Meeting a legal proxy, executed in your favor from the shareholder of record.

**Employee Shareholder** If you participate in the WellPoint 401(k) Retirement Savings Plan and you are invested in the Company Common Stock fund in your account, you may give voting instructions to the plan Trustee as to the number of shares of Common Stock equivalent to the interest in the Company Common Stock fund credited to your account as of the most recent valuation date coincident with or preceding the record date. The Trustee will vote your shares in accordance with your instructions received by May 12, 2006 at 12:00 Noon EDT. You may also revoke previously given voting instructions by May 12, 2006 at 12:00 Noon EDT, by filing with the Trustee either written notice of revocation or a properly completed and signed proxy card bearing a later date. Your voting instructions will be kept confidential by the Trustee. If you do not send instructions for Proposal 1, the Election of Directors, and Proposal 3, the ratification of the appointment of the Company's independent registered public accounting firm, the Trustee will vote the number of shares equal to the share equivalents credited to your account in the same proportion that it votes shares for which it did receive timely instructions. For Proposal 2, the approval of the WellPoint 2006 Incentive Compensation Plan, if you do not send instructions, the Trustee will not vote your shares.

### Voting

Whether you hold shares as a shareholder of record or as a beneficial owner you may vote before the Annual Meeting by granting a proxy or, for shares held in street name, by submitting voting instructions to your broker or nominee. Most shareholders will have a choice of voting through the Internet or by telephone or completing a proxy card or instruction form and returning it in the enclosed postage-prepaid envelope. Please refer to the instructions below and on the accompanying proxy card or voting instruction card.

**By Mail** You may vote by mail by signing and dating your proxy card or voting instruction card provided by your broker, bank or nominee and mailing it in the enclosed postage-prepaid envelope. If you provide specific voting instructions, your shares will be voted as you instruct. **If you sign and date your proxy card, but do not provide instructions, your shares will be voted FOR the election of each of the Company's nominee directors listed beginning on page 19 of this Proxy Statement, FOR the approval of the WellPoint 2006 Incentive Compensation Plan described beginning on page 22 of this Proxy Statement and FOR the ratification of the appointment of the independent registered public accounting firm described beginning on page 31 of this Proxy Statement.**



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**By Internet** You may vote by Internet by going to [www.computershare.com/expressvote](http://www.computershare.com/expressvote) and following the instructions. You will need to have your proxy card or voting instruction card available when voting by the Internet. If you want to vote through the Internet, you must do so before 11:59 p.m. EDT, May 15, 2006. **If you vote on the Internet, you do not need to return your proxy card.**

**By Telephone** You may vote by touchtone telephone by calling (800) 652-8683. You will need to have your proxy card or voting instruction card available when voting by telephone. If you want to vote by telephone, you must do so before 11:59 p.m. EDT, May 15, 2006. **If you vote by telephone, you do not need to return your proxy card.**

## **Changing Your Vote**

You may revoke your proxy at any time prior to the Annual Meeting. If you execute more than one proxy, the proxy having the latest date will revoke any earlier proxy. If you attend the Annual Meeting you will be given the opportunity to revoke your proxy and vote in person.

## **Additional Matters**

The Board of Directors of the Company (the Board) has not received notice of, and knows of no matters, other than those described in the attached Notice of Annual Meeting of Shareholders, which are to be brought before the Annual Meeting. If other matters properly come before the Annual Meeting, it is the intention of the persons named in the accompanying proxy card to vote such proxy in accordance with their judgment on such matters.

## **Shareholder Proposals and Nominations for Next Year's Annual Meeting**

In order to be considered at the 2007 Annual Meeting, shareholder proposals must comply with the advance notice and eligibility requirements contained in the Company's By-Laws.

**Shareholder Proposal** The By-Laws provide that for business to be properly brought before an annual meeting by a shareholder, the shareholder must have the legal right and authority to make the proposal for consideration at the meeting and the shareholder must give timely written notice thereof to the Secretary of the Company. Such proposals also will need to comply with the Securities and Exchange Commission (SEC) regulations regarding the inclusion of shareholder proposals in the Company-sponsored proxy materials if the shareholder would like the proposal to be so included.

**Nomination of Candidate for Election as Director** The By-Laws provide that a shareholder may nominate a person for election to the Company's Board of Directors, provided the shareholder is entitled to vote for the election of directors at the meeting and has given timely written notice of the nomination to the Secretary of the Company.

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**Timely Notice** In order to be timely, a shareholder's notice must be delivered to the principal executive offices of the Company not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting. In the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date, notice by the shareholder must be delivered not earlier than the 120<sup>th</sup> day prior to such annual meeting and not later than the close of business on the later of the 90<sup>th</sup> day prior to such annual meeting or the 10<sup>th</sup> day following the day on which public announcement of the date of such meeting is first made. The notice must contain specified information about each nominee or the proposed business and the shareholder making the nomination or proposal. The date by which shareholder proposals and nominations of candidates for elections as directors must be received by the Company for inclusion in proxy materials relating to the 2007 Annual Meeting of Shareholders is December 14, 2006.



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**Copy of By-Law Provisions** The specific requirements of these advance notice and eligibility provisions are set forth in Section 1.4 and Section 1.5 of the Company's By-Laws. You may contact the Secretary, WellPoint, Inc., 120 Monument Circle, Mail No. IN12B-315, Indianapolis, Indiana 46204 for a copy of these relevant provisions of the Company's By-Laws.

## **Annual Meeting Admission**

Either an admission ticket or proof of ownership of Company Common Stock, as well as a form of personal identification, must be presented in order to be admitted to the Annual Meeting. If you are a shareholder of record, your admission ticket is attached to your proxy card. If you are a beneficial owner and your shares are held in the name of a broker, bank or other nominee, you must bring a brokerage statement or other proof of ownership with you to the Annual Meeting, or you may request an admission ticket in advance by mailing a request, along with proof of your ownership of Company Common Stock, to WellPoint Shareholder Services, 120 Monument Circle, Mail No. IN12B-323, Indianapolis, Indiana 46204.

No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the Annual Meeting.

## **IMPORTANT NOTICE REGARDING DELIVERY OF SECURITY HOLDER DOCUMENTS**

### **Householding Notice**

The SEC has adopted rules that allow us to deliver a single annual report, proxy statement, proxy statement combined with a prospectus or any information statement to any household at which two or more shareholders reside who share the same last name or whom we believe to be members of the same family. This procedure is referred to as householding.

If you share the same last name and address with one or more shareholders, from now on, unless we receive contrary instructions from you (or from one of these other shareholders), you and all other shareholders who have your last name and live at the same home address will receive only one copy of any of our Annual Report, Proxy Statement for our Annual Meeting of Shareholders, any proxy statement we file and deliver in connection with any other meeting of shareholders, any proxy statement combined with a prospectus or any information statement. We will include with the householded materials for our annual meetings, or any other shareholders' meeting, a separate proxy card and Notice of Shareholders' Meeting for each registered shareholder who shares your last name and lives at your home address.

If you object to householding or wish to revoke householding in the future, in order to receive individual copies of these documents, you may write or call our Secretary, WellPoint, Inc., 120 Monument Circle, Mail No. IN12B-315, Indianapolis, Indiana, 46204 or telephone (800) 985-0999. You can call the same number or write to the same address if you participate in householding but wish to receive a separate copy of these documents or to request householding if shareholders are receiving multiple copies of the annual report, proxy statement or information statement. You may opt out of householding at any time prior to 30 days before the mailing of proxy materials each year, which you can measure by reference to the date 30 days before the mailing date of the proxy statement for the prior year's Annual Meeting of Shareholders. If you would like to opt out of householding for any other shareholders' meeting that might be scheduled during a given calendar year, we will issue a press release notifying shareholders of the actual deadline for opting out of householding via either of the methods just described. If we do not hear from you, you will be deemed to have consented to the delivery of only one set of these documents to your household. We intend to household indefinitely, and your consent will be perpetual unless you revoke it. If you revoke your consent, we will begin sending you

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individual copies of these documents within 30 days after we receive your revocation notice.

Your participation in this program is encouraged. It will reduce the volume of duplicate information received at your household as well as the cost to us of preparing and mailing duplicate materials. You may wish

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to receive documents electronically. We have included below instructions for consenting to electronic delivery. If you consent to electronic delivery, we will not be householding so you need not call the phone number above to object to householding. In addition, we have been notified that certain intermediaries, i.e. brokers or banks, will household proxy materials. Beneficial shareholders can request information about householding from their banks, brokers or other holders of record.

### **Electronic Delivery of Proxy Materials**

One of our main goals is to maximize shareholder value. In addition to aligning our businesses to focus on the unique issues and needs of our customers, we are harnessing technology to maximize cost savings. As an alternative to receiving printed copies of proxy materials in future years, we offer shareholders the opportunity to receive proxy mailings electronically. By consenting to electronic delivery of future Annual Reports and Proxy Statements, you will help us reduce printing and postage costs.

To take advantage of this offer, please indicate your consent by following the instructions provided as you vote by Internet or go to the website [www.econsent.com/wlp](http://www.econsent.com/wlp) and follow the prompts. You must have access to a computer and the Internet and expect to have access in the future to be eligible. Selecting this option means that you will no longer receive a printed copy of our Annual Report and Proxy Statement unless you request one.

Each year you will receive an e-mail message with information regarding the Internet web site containing the Annual Report and Proxy Statement and the Internet web site to vote your proxy online. If the e-mail is returned undeliverable, our transfer agent will mail the Annual Report and Proxy Statement to your address of record. If you consent to electronic delivery, you will be responsible for your usual telephone and Internet charges (e.g., online fees) in connection with the electronic delivery of the proxy materials and Annual Report.

Your consent will be effective until you revoke it. You may cancel your consent to electronic delivery at no cost to you at any time by written notification to our Secretary, WellPoint, Inc., at 120 Monument Circle, Mail No. IN12B-315, Indianapolis, Indiana, 46204, or at the Internet site [www.econsent.com/wlp](http://www.econsent.com/wlp).

### **Cost of Solicitation**

We will bear the cost of the solicitation of proxies and have engaged D.F. King & Co., Inc. to assist in the solicitation of proxies. D.F. King & Co., Inc. will receive a fee of approximately \$5,000 plus reasonable out-of-pocket expenses for this work. We also will reimburse banks, brokers or other custodians, nominees and fiduciaries for their expenses in forwarding the proxy materials to beneficial owners and seeking instruction with respect thereto. In addition, our directors, officers or other associates, without additional compensation, may solicit proxies from shareholders in person, or by telephone, facsimile transmission or other electronic means of communication.

## **GOVERNANCE OF THE COMPANY**

We believe that the only results worth achieving are those achieved with integrity and a commitment to excellence.

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Accordingly, we have long recognized the importance of and always placed a high priority upon having good corporate governance measures in place. We take great care to ensure that our measures align with the requirements of the Sarbanes-Oxley Act of 2002, the rules promulgated by the SEC and the listing standards of the NYSE.

We believe it is important to disclose to you a summary of our major corporate governance practices. Many of these practices have been in place for several years and predate our conversion to a public company. Others were adopted in response to regulatory and legislative changes.

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Among the practices we adhere to are the following:

We have adopted Corporate Governance Guidelines, which are set forth in Appendix I to this Proxy Statement and are available on the Company's website at [www.wellpoint.com](http://www.wellpoint.com) under the Corporate Governance tab;

We also have published on our website the charter of each standing committee of the Board;

A majority of our Board is comprised of independent directors;

Only independent directors serve on the Audit, Compensation and Governance Committees;

Non-employee directors meet periodically in executive session without management present;

The independent director who presides at the executive sessions of independent directors rotates three times a year among the Chairpersons of each of the Audit Committee, Compensation Committee and Governance Committee;

The lead partner of the Company's independent registered public accounting firm is rotated at least every five years;

The Board, and each committee of the Board, has the authority to engage independent consultants and advisors at the Company's expense;

The Board and each standing committee annually conduct a self-evaluation; and

The Company's Board, executive officers, associates and external business partners are governed by the Company's Standards of Ethical Business Conduct.

We will continue to assess and refine our corporate governance practices and share them with you.

## **BOARD AND COMMITTEE MEMBERSHIP**

As reflected in our Corporate Governance Guidelines, our business, property and affairs are managed under the direction of our Board. Members of our Board stay informed of our business through discussions with our CEO and other officers, by reviewing materials provided to them, by visiting our offices, by participating in meetings of the Board and its committees and through their own industry knowledge and inquiries.

As permitted by the rules of the NYSE, our Board has adopted categorical standards to assist it in making determinations of independence and whether or not a director has a material relationship with the Company. These categorical standards are set forth in Appendix II to this Proxy Statement and are available on the Company's website at [www.wellpoint.com](http://www.wellpoint.com) under the Corporate Governance tab.

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Our Board has determined that each of the following directors meets these standards, has no material relationship with the Company and is independent as defined by the NYSE listing standards: Susan B. Bayh, Sheila P. Burke, William H.T. Bush, Julie A. Hill, Warren Y. Jobe, Victor S. Liss, William G. Mays, Ramiro G. Peru, Jane G. Pisano, Senator Donald W. Riegle, Jr., William J. Ryan, George A. Schaefer, Jr., Jackie M. Ward and John E. Zuccotti.

During 2005, the Board held 21 meetings. At six of the 21 meetings the Board met in executive session without management. During the period in 2005 for which he or she served as a director, each director attended at least 75% of the total meetings of the Board and each committee on which he or she served.

There are five standing committees of the Board. From time to time, the Board, in its discretion, may form other committees. The following table provides membership information for each of the Board committees as of March 15, 2006.

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<u>Directors</u>	<u>Executive Committee</u>	<u>Audit Committee</u>	<u>Compensation Committee</u>	<u>Governance Committee</u>	<u>Planning Committee</u>
Lenox D. Baker, Jr., M.D.					X
Susan B. Bayh				X	
Sheila P. Burke			X		
William H.T. Bush				X	X*
Larry C. Glasscock	X*				
Julie A. Hill				X	X
Warren Y. Jobe		X			
Victor S. Liss	X	X*			
William G. Mays		X			
Ramiro G. Peru		X			
Jane G. Pisano			X		X
Donald W. Riegle, Jr.			X	X	
William J. Ryan	X		X*		
George A. Schaefer, Jr.		X			
Jackie M. Ward	X		X	X*	
John E. Zuccotti				X	

\* Signifies Chairperson of the Committee

**Meetings and Committees of the Board**

Set forth below are the primary responsibilities of each of the committees.

**The Audit Committee**

The Audit Committee, which was established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, assists the Board in its oversight of the Company's accounting, financial reporting and internal audit controls and procedures. In its oversight of the Company's financial statements and the independent audit thereof, the Committee is responsible for the selection, evaluation and, where deemed appropriate, replacement of the independent registered public accounting firm, and for the evaluation of the independence of the independent registered public accounting firm. The Committee is also responsible for the oversight of the Company's Compliance Program and Standards of Ethical Business Conduct. See Audit Committee Report.

A copy of the Audit Committee Charter is attached as Appendix III to this Proxy Statement and is available on the Company's website at [www.wellpoint.com](http://www.wellpoint.com) under the Corporate Governance tab.

The Audit Committee met 11 times during 2005. At six of the 11 meetings the Committee met separately with management, the senior vice president of internal audit and the independent registered public accounting firm.

The current members of the Audit Committee are: Victor S. Liss (Chairperson), Warren Y. Jobe, William G. Mays, Ramiro G. Peru and George A. Schaefer, Jr. The Board has determined that each of the members of the Audit Committee is independent as defined by the rules of the SEC

and the NYSE listing standards and that each of the members is an audit committee financial expert as defined by the SEC's rules.

**The Compensation Committee**

The Compensation Committee assists the Board in discharging its responsibilities relating to compensation of the Company's executive officers, reviews and recommends to the Board the Company's overall compensation policy and oversees the Company's stock plans.

A copy of the Compensation Committee Charter is attached as Appendix IV to this Proxy Statement and is available on the Company's website at [www.wellpoint.com](http://www.wellpoint.com) under the Corporate Governance tab.



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The Compensation Committee met ten times during 2005. At eight of the ten meetings the Committee met in executive session without management.

The current members of the Compensation Committee are: William J. Ryan (Chairperson), Sheila P. Burke, Jane G. Pisano, Senator Donald W. Riegler, Jr., and Jackie M. Ward. The Board has determined that each of the members of the Compensation Committee is independent as defined by the NYSE listing standards.

## **The Governance Committee**

The Governance Committee assists the Board in discharging its responsibilities relating to Board composition, director compensation and corporate governance by identifying and recommending individuals for nomination as members of the Board, recommending to the Board the overall director compensation policy and developing and recommending to the Board a set of corporate governance guidelines.

A current copy of the Governance Committee Charter is attached as Appendix V to this Proxy Statement and is available on the Company's website at [www.wellpoint.com](http://www.wellpoint.com) under the Corporate Governance tab.

The Governance Committee met eight times during 2005.

The current members of the Governance Committee are: Jackie M. Ward (Chairperson), Susan B. Bayh, William H.T. Bush, Julie A. Hill, Senator Donald W. Riegler, Jr. and John E. Zuccotti. The Board has determined that each of the members of the Governance Committee is independent as defined by the NYSE listing standards.

### *Shareholder Nominees*

The policy of the Governance Committee is to consider properly submitted shareholder nominations for candidates for membership on the Board as described below under Identifying and Evaluating Nominees for Directors. In evaluating such nominations, the Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board and to address the membership criteria set forth under Director Qualifications. Any shareholder nominations proposed for consideration by the Governance Committee must include the nominee's name and qualifications for Board membership and must be addressed to Secretary, WellPoint, Inc., 120 Monument Circle, Mail No. IN12B-315, Indianapolis, Indiana 46204.

For a description of the requirements regarding shareholder nominations and other proposals at annual meetings, see Shareholder Proposals and Nominations for Next Year's Annual Meeting beginning on page 3.

### *Director Qualifications*

The Governance Committee will look for candidates who possess qualifications that meet our strategic needs; possess high personal values, judgment and integrity; have an understanding of our business and the regulatory and policy environment in which we operate; and have diverse experiences in key business, financial and other challenges that face a publicly held health benefits company. In particular, the Governance Committee will look for candidates with special and diverse experience in areas such as management of public companies, entrepreneurial companies, and large companies, investment banking and banking industry experience, health care industry experience, public relations and mass marketing experience, accounting and audit experience, clinical health experience and technology and e-commerce experience. The candidates should be committed to enhancing shareholder value, should have sufficient time to carry out their duties and be able to provide insight and practical wisdom based on experience to represent the interests of all shareholders. Their service on other boards of public companies should be limited to a number that permits them, given their individual circumstances, to perform all director duties responsibly. The foregoing qualifications will be applied by the Governance Committee to all candidates for nominees, including candidates submitted by shareholders.

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### *Identifying and Evaluating Nominees for Directors*

The Governance Committee utilizes a variety of methods for identifying and evaluating nominees for director. The Governance Committee regularly assesses the appropriate size of the Board and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Governance Committee considers, subject to the restrictions in the Company's By-Laws, whether the vacancy should be filled and if so, various potential candidates for director. Candidates may come to the attention of the Governance Committee through current Board members, professional search firms, shareholders or other persons. These candidates are evaluated at regular or special meetings of the Governance Committee, and may be considered at any point during the year. As described above, the Governance Committee considers properly submitted shareholder nominations for candidates for the Board. Following verification of the shareholder status of persons proposing candidates, recommendations are aggregated and considered by the Governance Committee at a regularly scheduled meeting, which is generally the first or second meeting prior to the issuance of the proxy statement for the Company's annual meeting. If any materials are provided by a shareholder in connection with the nomination of a director candidate, such materials are forwarded to the Governance Committee. The Governance Committee may also review materials provided by professional search firms or other parties in connection with a nominee who is not proposed by a shareholder.

## **The Planning Committee**

The Planning Committee reviews and monitors the Company's annual operating plan, recommends strategies to achieve the strategic plan, and reviews integration plans for mergers, acquisitions and other corporate transactions.

A current copy of the Planning Committee Charter is attached as Appendix VI to this Proxy Statement and is available on the Company's website at [www.wellpoint.com](http://www.wellpoint.com) under the Corporate Governance tab.

The Planning Committee met three times during 2005.

The current members of the Planning Committee are: William H.T. Bush (Chairperson), Lenox D. Baker, Jr., M.D., Julie A. Hill and Jane G. Pisano.

## **The Executive Committee**

Between meetings of the Board, the Executive Committee has and may exercise the powers and authority of the full Board.

A copy of the Executive Committee Charter is attached as Appendix VII to this Proxy Statement and is available on the Company's website at [www.wellpoint.com](http://www.wellpoint.com) under the Corporate Governance tab.

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The Executive Committee met one time during 2005. At the meeting, the Executive Committee met in executive session without management.

The current members of the Executive Committee are: Larry C. Glasscock (Chairperson), Victor S. Liss, William J. Ryan and Jackie M. Ward.

### **Communications with the Board**

Individuals may communicate with the Board by submitting an e-mail to the Company's Board at [boardofdirectors@wellpoint.com](mailto:boardofdirectors@wellpoint.com). Communications that are intended specifically for non-management directors or any individual director should be sent to the e-mail address above to the attention of the Presiding Director. Individuals may also communicate with the Board by submitting a letter to the Secretary, WellPoint, Inc., 120 Monument Circle, Mail No. IN12B-315, Indianapolis, Indiana 46204.

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In addition, individuals may communicate with the Chairperson of the principal committees by submitting an e-mail to:

Chairperson of the Audit Committee: [auditchair@wellpoint.com](mailto:auditchair@wellpoint.com)

Chairperson of the Compensation Committee: [compensationchair@wellpoint.com](mailto:compensationchair@wellpoint.com)

Chairperson of the Governance Committee: [governancechair@wellpoint.com](mailto:governancechair@wellpoint.com)

The process for collecting and organizing security holder communications, as well as similar or related activities, has been approved by a majority of the independent directors. Communications are distributed to the Board, or to any individual directors as appropriate, depending on the facts and circumstances outlined in the communication. In that regard, the Board has requested that certain items which are unrelated to the duties and responsibilities of the Board should be excluded, such as:

spam;

junk mail and mass mailings;

medical claims inquiries;

new product suggestions;

resumes and other forms of job inquiries;

surveys; and

business solicitations or advertisements.

In addition, material that is unduly hostile, threatening, illegal or similarly unsuitable will be excluded, with the provision that any communication that is filtered out must be made available to any non-management director upon request.

**Board Attendance at Annual Meeting of Shareholders**

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The policy of the Company is that Board members attend each Annual Meeting of Shareholders. All members of the Board at the time attended the 2005 Annual Meeting of Shareholders, except for Dr. Baker who was unable to attend.

**Table of Contents****COMPENSATION OF NON-EMPLOYEE DIRECTORS****2005 Compensation to Current Non-Employee Directors<sup>1</sup>**

<u>Directors</u>	<u>Annual Board/ Committee Retainer (\$)<sup>2</sup></u>	<u>Board Meeting Fees (\$)</u>	<u>Committee Meeting Fees (\$)</u>	<u>Total Cash Compensation (\$)</u>	<u>Stock Received<sup>3</sup> (#)</u>
Lenox D. Baker, Jr., M.D.	\$ 45,102	\$ 26,000	\$ 2,250	\$ 73,352	3,780
Susan B. Bayh	\$ 45,102	\$ 29,000	\$ 8,250	\$ 82,352	3,780
Sheila P. Burke	\$ 45,102	\$ 23,000	\$ 9,750	\$ 77,852	3,780 <sup>4</sup>
William H.T. Bush	\$ 45,102	\$ 28,000	\$ 8,250	\$ 81,352	3,780
Julie A. Hill	\$ 45,102	\$ 27,000	\$ 10,200	\$ 82,302	3,780 <sup>4</sup>
Warren Y. Jobe	\$ 45,102	\$ 29,000	\$ 18,000	\$ 92,102	3,780
Victor S. Liss	\$ 69,477	\$ 29,000	\$ 19,500	\$ 139,655 <sup>5</sup>	3,780 <sup>4</sup>
William G. Mays	\$ 45,102	\$ 28,000	\$ 18,000	\$ 91,102 <sup>6</sup>	3,780 <sup>4</sup>
Ramiro G. Peru	\$ 45,102	\$ 27,000	\$ 18,000	\$ 90,102	3,780
Jane G. Pisano	\$ 45,102	\$ 29,000	\$ 12,450	\$ 86,552	3,780
Donald W. Riegler, Jr.	\$ 45,102	\$ 29,000	\$ 23,400	\$ 97,502 <sup>7</sup>	3,780 <sup>4</sup>
William J. Ryan	\$ 61,352	\$ 22,000	\$ 13,950	\$ 97,302	3,780
George A. Schaefer, Jr.	\$ 45,102	\$ 28,000	\$ 17,000	\$ 90,102	3,780
Jackie M. Ward	\$ 61,352	\$ 29,000	\$ 24,600	\$ 114,952 <sup>8</sup>	3,780 <sup>4</sup>
John E. Zuccotti <sup>9</sup>	\$	\$	\$	\$	

<sup>1</sup> Employee directors do not receive any compensation for their service as a director. Meeting fees include fees received for meetings held in 2005 even if not paid until 2006.

<sup>2</sup> In addition to annual board and committee chair retainer fees, includes \$51.60 paid in cash to each non-employee director, which represents the fractional share amount paid in connection with the annual grant of shares of Company Common Stock received on the date of the Company's annual meeting of shareholders. The amounts in this column do not include that portion of the annual Board retainer fee which was paid to each director in Company Common Stock. See Footnote 3 below.

<sup>3</sup> The numbers of shares of Common Stock in this column include (i) 88 shares of Company Common Stock paid to each director in the first quarter of 2005 in lieu of a cash payment for a \$4,950 portion of the annual Board retainer fee; and (ii) 3,692 shares of Company Common Stock for the annual grant of shares of Company Common Stock received on the date of the Company's annual meeting of shareholders, receipt of which was deferred pursuant to the Board Deferred Compensation Plan. See also Compensation of Non-Employee Directors Board Equity Compensation and Stock Ownership Guidelines. All numbers of shares of Common Stock shown in this column have been adjusted to reflect the May 31, 2005 two-for-one stock split, if applicable.

<sup>4</sup> The director also deferred receipt of the one-half of the annual retainer fees paid in Company Common Stock pursuant to the Board Deferred Compensation Plan.

<sup>5</sup> Includes \$21,678 paid to Mr. Liss pursuant to the Board Deferred Compensation Plan.

<sup>6</sup> All of Mr. Mays' 2005 compensation was deferred by him pursuant to the Board Deferred Compensation Plan.

<sup>7</sup> Of this amount, \$10,630 (\$4,550 in retainer fees, \$3,200 in Board meeting fees and \$2,880 in committee meeting fees) was deferred by Mr. Riegler pursuant to the Board Deferred Compensation Plan.

<sup>8</sup> All of Ms. Ward's 2005 compensation was deferred by her pursuant to the Board Deferred Compensation Plan.

<sup>9</sup> Became a member of the Company's Board of Directors on December 28, 2005, upon the acquisition of WellChoice, Inc. ( WellChoice ) by the Company and therefore received no compensation for serving as a director in 2005.

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The compensation of our non-employee directors is paid in the form of an annual retainer, meeting and chair fees and stock-based awards. During 2005, with the exception of Mr. Zuccotti, each non-employee director received:

an annual retainer fee of \$50,000, paid in advance in four equal quarterly installments;

an additional annual retainer of \$15,000 for the chairperson of the Audit Committee, paid in advance;

an additional annual retainer of \$10,000 for the chairperson of the other committees, paid in advance;

a meeting fee of \$2,000 for attendance at each Board meeting held in person;

a meeting fee of \$1,000 for participation in each Board meeting held telephonically unless otherwise specified;

a meeting fee of \$2,000 for attendance at each Audit Committee meeting held in person;

a meeting fee of \$1,000 for participation in each Audit Committee meeting held telephonically unless otherwise specified;

a meeting fee of \$1,500 for attendance at each other committee meeting held in person;

a meeting fee of \$750 for participation in each other committee meeting held telephonically unless otherwise specified; and

an annual physical examination paid for by the Company.

In addition, all directors were reimbursed for expenses incurred in connection with attendance at and/or participation in any Board and committee meetings.

## **Board Deferred Compensation Plan**

Cash fees paid to directors may be deferred under the Board Deferred Compensation Plan, which provides a method of deferring payment until a date selected by the director. Cash fees deferred accrue interest at a declared interest rate, which is determined on January 1 of each year and is the average of the 10-year U.S. Treasury Note monthly average rates for the 12-month period ending on September 30 of the previous year, plus 150 basis points. Fees paid to directors in Company Common Stock may also be deferred under the Board Deferred Compensation Plan. Stock deferred under the Board Deferred Compensation Plan is distributed in stock.

## **Board Equity Compensation and Stock Ownership Guidelines**



As approved on February 2, 2005, each non-employee director receives, subject to the deferral described below, an annual grant, on the date of the Company's annual meeting of shareholders, of the number of shares of Common Stock equal to five times the annual Board retainer fee, based on the closing price of the Company's Common Stock as reported on the NYSE on the date of grant. In 2005, each then non-employee director received 3,692 shares based on the market price of \$67.70 per share pursuant to this grant (each of the number of shares and price per share have been adjusted to reflect the May 31, 2005 two-for-one stock split). In addition, each new non-employee director receives, on the date of the first annual shareholders' meeting held after his or her election and subject to the deferral described below, a grant of the number of shares of Common Stock equal to 2.5 times the annual Board retainer fee, based on the closing price of the Company's Common Stock as reported on the NYSE on the date of grant. Each such annual and initial grant of Common Stock is deferred for a minimum of five years from the date of grant, in accordance with the terms of the Board Deferred Compensation Plan. The shares of Common Stock will not be distributed to the directors until the earlier of the expiration of such deferral period or the date on which a director ceases to be a member of the Board of Directors.

In addition, each director has an obligation to own five times the annual Board retainer fee in Company Common Stock at the end of a five-year period commencing on the later of the date such director became a member of the Board or May 3, 2002. For 2005, the annual Board retainer fee was \$50,000, so the obligation for each director is to own \$250,000 in Company Common Stock by the applicable time.

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**2005 Payments to the Former Chairman of the Board**

**Amended and Restated Employment Agreement**

Leonard D. Schaeffer was appointed Chairman of the Board of Directors of the Company upon the consummation of the merger of WellPoint Health Networks Inc. ( WHN ) with the Company on November 30, 2004 and served in that capacity until he resigned as a director of the Company on November 29, 2005. Prior to the WHN merger, Mr. Schaeffer had entered into an Amended and Restated Employment Agreement effective as of December 31, 2002 with WHN, which was previously reported by WHN in a Current Report on Form 8-K filed on December 31, 2002. Pursuant to his employment agreement, Mr. Schaeffer served as Chairman of the Board and Chief Executive Officer of WHN.

As previously reported in a Current Report on Form 8-K filed by the Company on January 21, 2005, on January 19, 2005, Mr. Schaeffer and the Company agreed that effective January 31, 2005, Mr. Schaeffer's employment would terminate due to Mr. Schaeffer's constructive termination as defined in his employment agreement, and Mr. Schaeffer ceased to be an employee of WHN on such date. As previously disclosed, under Mr. Schaeffer's employment agreement, as a result of the WHN merger and Mr. Schaeffer's constructive termination, Mr. Schaeffer received a cash payment in the amount of \$50,586,000 as well as other non-cash interests and benefits. The cash payment amount consisted of (a) a Guaranteed Annual Bonus, (b) the cash portion of his Change in Control ( CIC ) Severance Benefits, and (c) an Additional SERP Amount (each as described in more detail below).

*Guaranteed Annual Bonus*

Under Mr. Schaeffer's employment agreement, he was entitled to a Guaranteed Annual Bonus for 2004. The Guaranteed Annual Bonus was defined as the greatest of (i) Mr. Schaeffer's target bonus for 2004; (ii) the average of the annual (or annualized) bonus paid to Mr. Schaeffer for 2002 and 2003; or (iii) the actual bonus for Mr. Schaeffer for 2004. The Guaranteed Annual Bonus for 2004 was \$5,864,000.

*CIC Severance Benefits*

Under his employment agreement, Mr. Schaeffer was entitled to the following severance benefits as a result of the WHN merger and his constructive termination: (i) earned but unpaid base salary through the date of termination and any accrued but unpaid vacation and any unpaid bonus for any fiscal year that ended on or before the date of termination; (ii) a prorated portion of any bonus that he would otherwise have received for the year of termination; (iii) a cash payment equal to three times the sum of Mr. Schaeffer's base salary and the Plan Bonus ( Plan Bonus was an amount equal to (A) Mr. Schaeffer's base salary multiplied by (B) the highest target bonus percentage during the period beginning five years before the announcement of the WHN merger and ending immediately before termination of employment, or the date of the WHN merger, if earlier, multiplied by (C) the greater of (1) 100% or (2) the highest average percentage, for the two consecutive fiscal years within the same five-year period defined in clause (B) that Mr. Schaeffer's actual annual bonus represents of his base salary for such fiscal year); (iv) continuation for 48 months of (a) medical and dental coverage for Mr. Schaeffer and his family, (b) life insurance in an amount equal to three times his base salary, (c) long term disability insurance in an amount equal to one time his base salary, (d) continued participation in other retirement and deferred compensation plans, and (e) three memberships in luncheon, professional or athletic clubs; (v) outplacement services; (vi) additional service credit that increased vesting service credit to five years, three additional years of service credit and three additional years of age credit for purposes of calculating benefits under the Amended and Restated Special Executive Retirement Plan effective as of December 31, 2002 (the Schaeffer SERP ); (vii) either a lump sum payment or a special contribution to WHN's deferred compensation plan equal to the sum of the additional annuity credits and matching contributions to which Mr. Schaeffer would have been entitled under WHN's cash balance pension, 401(k) and deferred compensation plans had he remained employed with WHN for three additional years and assuming that the

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amount payable to Mr. Schaeffer under subsection (iii) above was payable over such three-year period and treated as eligible compensation under such plans;

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(viii) transfer to Mr. Schaeffer of full title and ownership of the automobile then being leased for Mr. Schaeffer; (ix) financial counseling benefits for the five calendar years following the year of termination; (x) office space and clerical support staff for a period of five years following termination of his position as Chairman of the Board of the Company (reflected in the Letter of Agreement, dated July 22, 2005, between the Company and Mr. Schaeffer); and (xi) immediate vesting of all outstanding unvested options and any other equity grants.

As of January 31, 2005, Mr. Schaeffer had unvested stock options to purchase 1,143,608 shares of the Company's Common Stock and 71,750 shares of restricted stock (each as adjusted for the May 31, 2005 two-for-one stock split), all of which vested effective January 31, 2005 as a result of the constructive termination. Mr. Schaeffer agreed not to exercise any options which vested as a result of the constructive termination except in accordance with the original vesting schedule for such options.

Mr. Schaeffer was also entitled to receive an excise tax gross-up if payments under his employment agreement, alone or together with other compensation, would subject him to an excise tax for excess parachute payments under Section 4999 of the Internal Revenue Code of 1986, as amended (the Tax Code); however, the Company determined that Mr. Schaeffer was not subject to an excise tax. The cash portion of the CIC Severance Benefits (including the amounts determined under (ii), (iii) and (vii) above) was equal to approximately \$34,100,000.

### *Additional SERP Severance Benefit*

Mr. Schaeffer was a participant in the Schaeffer SERP, which provided certain supplemental retirement benefits to Mr. Schaeffer. As previously disclosed and as described above under CIC Severance Benefits, Mr. Schaeffer was entitled to five additional years of vesting service credit, three additional years of service credit and three additional years of age credit for purposes of calculating benefits under the Schaeffer SERP. The lump sum cash value of the additional SERP benefits resulting from the additional vesting service and service and age credits described above was in the aggregate amount of \$10,622,000 (the Additional SERP Amount). The Additional SERP Amount was in addition to the present value of the retirement benefit which Mr. Schaeffer accrued by reason of his actual service and attained age through January 31, 2005.

### *Elections Regarding Deferred Compensation Plans and Schaeffer SERP Balances*

Mr. Schaeffer was a participant in certain deferred compensation plans maintained by the Company or its subsidiaries, including but not limited to the WellPoint Health Comprehensive Executive Non-Qualified Retirement Plan (the Predecessor Plan) and the successor 2005 Comprehensive Executive Non-Qualified Retirement Plan (the 2005 Non-Qualified Plan). As described on page 51 of this Proxy Statement, the 2005 Non-Qualified Plan was available for executives and other select highly compensated employees of WHN and its subsidiaries and generally mirrored the provision of the frozen Predecessor Plan except for revisions that were necessary to comply with the new Section 409A of the Tax Code.

Notice 2005-1 under Section 409A of the Tax Code provides certain transition relief with respect to funds deferred (or deemed deferred) in 2005 under non-qualified deferred compensation plans such as the 2005 Non-Qualified Plan and with respect to other non-qualified deferred compensation plans such as the Schaeffer SERP and the Predecessor Plan, including but not limited to the right of a participant to terminate his or her participation in such plans, with the consent of the employer, and receive an immediate lump sum distribution of his or her deferred account balance or accrued benefit thereunder and the right of an employer to terminate a deferred compensation plan.

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As previously reported, on January 31, 2005, Mr. Schaeffer's participation in all deferred compensation plans with the Company and its subsidiaries, including the Predecessor Plan, the 2005 Non-Qualified Plan and the Schaeffer SERP, terminated and he received a lump sum distribution of his aggregate account balance under the Predecessor Plan, the 2005 Non-Qualified Plan and the present value of his accrued benefit under the

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Schaeffer SERP in the aggregate amount of \$68,455,000, exclusive of the Additional SERP Amount attributable to the age and service credits provided to him under such plan as part of his CIC Severance Benefits discussed above. The cash payment amount consisted of (a) the combined Predecessor Plan and 2005 Non-Qualified Plan balance at January 31, 2005 in the amount of \$31,161,000, and (b) the Schaeffer SERP Balance as of January 31, 2005, exclusive of Additional SERP Amount attributable to age and service credits provided as part of his CIC Severance Benefits in the amount of \$37,294,000.

**Other 2005 Compensation and Benefits**

For his service as Chairman of the Board of the Company from January 1, 2005 through November 29, 2005, Mr. Schaeffer received an annual retainer of \$300,000, paid in advance. In addition, Mr. Schaeffer received (i) an annual retainer of \$15,000, paid in advance, for service as Chairman of the Executive Committee; (ii) fees of \$28,000 for attendance at Board meetings; (iii) fees of \$5,250 for attendance at Executive Committee meetings and Planning Committee meetings; (iv) an annual grant of 3,692 shares of Company Common Stock (adjusted to reflect the May 31, 2005 two-for-one stock split) received on the date of the annual shareholders' meeting, as well as \$51.60 in cash representing the fractional share amount paid in connection with the annual grant; and (v) reimbursement for expenses incurred in connection with his performance of his responsibilities as Chairman.

In addition to the amounts that Mr. Schaeffer received in connection with his constructive termination as an employee of WHN as described above and in addition to amounts Mr. Schaeffer received as Chairman of the Board of the Company also as described above, Mr. Schaeffer received the following amounts and benefits from the Company in 2005: (i) salary and holiday pay of \$138,463 for the period in 2005 during which he was an employee of WHN (January 1, 2005 through January 31, 2005); (ii) \$287,576 for the balance of his paid time off credits at the time of his termination as an employee of WHN; (iii) \$50,655 in insurance premiums paid by the Company for medical and dental insurance for Mr. Schaeffer and his family and long-term disability and life insurance for Mr. Schaeffer; and (iv) \$71,665 in other benefits paid by the Company including an automobile allowance, club membership fees, financial consulting and legal services and tax gross-up payments relating to the financial consulting and legal services.

As stated above, Mr. Schaeffer was entitled to office space and clerical support during his service as Chairman of the Board of the Company, and will be entitled to office space and clerical support for a term of five years following his termination as Chairman. On July 22, 2005, the Company entered into a lease for space at a location selected by the Company, after consultation with Mr. Schaeffer, to provide such office space for the required period. The lease commenced on November 1, 2005 and continues for Mr. Schaeffer's use for a term ending on November 29, 2010, at an initial annual rent of \$186,507 per year plus parking charges of \$6,000 per year. In addition, the Company incurred a one-time cost associated with the build-out of the space of \$240,000.

During 2005, Mr. Schaeffer also utilized for personal travel the corporate aircraft that the Company leases. The incremental cost to the Company of Mr. Schaeffer's personal use of the aircraft in 2005 was \$68,852. For Mr. Schaeffer's flights on the Company's leased aircraft, incremental cost to the Company was calculated based on the cost-per-flight-hour charge specified in the lease agreement, plus the cost of fuel, an international positioning charge (if applicable), a charge for additional passengers and related taxes.

**SECURITY OWNERSHIP OF**

**CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth as of January 31, 2006, the number of shares of Common Stock of the Company beneficially owned by:

each of the Company's directors,

each of the Company's CEO and four other most highly compensated executive officers, based on salary and bonus earned during 2005 (together with the CEO, the Named Executive Officers ),

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all directors and executive officers as a group, and

each person known by the Company to own beneficially more than five percent of the Company's Common Stock.

Except as otherwise indicated below, each individual owns such shares of Common Stock directly with sole investment and sole voting power. The number of shares shown below reflect the May 31, 2005 two-for-one stock split.

<u>Name</u>	<u>Position</u>	<u>Number of Shares Owned</u>	<u>Number of Shares Supplementally Owned<sup>1</sup></u>	<u>Total Number of Shares Beneficially Owned</u>	<u>Percent of Class  (if more than 1%)</u>
Larry C. Glasscock	Chairman of the Board, President and Chief Executive Officer	1,127,020 <sup>2</sup>	282,188	1,409,208 <sup>2</sup>	*
Lenox D. Baker, Jr.	Director	117,209 <sup>3</sup>	3,692	120,901 <sup>3</sup>	*
Susan B. Bayh	Director	21,431 <sup>4</sup>	3,692	25,123 <sup>4</sup>	*
Sheila P. Burke	Director	115,110 <sup>5</sup>	3,780	118,890 <sup>5</sup>	*
William H.T. Bush	Director	83,182 <sup>6</sup>	3,692	86,874 <sup>6</sup>	*
Julie A. Hill	Director	109,136 <sup>7</sup>	3,780	112,916 <sup>7</sup>	*
Warren Y. Jobe	Director	47,070 <sup>8</sup>	3,692	50,762 <sup>8</sup>	*
Victor S. Liss	Director	24,211 <sup>9</sup>	4,244	28,455 <sup>9</sup>	*
William G. Mays	Director	44,411 <sup>10</sup>	4,244&nb		