CVS CAREMARK CORP
Form DEF 14A
March 29, 2010
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SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨	Preliminary Proxy Statement			
x	Definitive Proxy Statement	¨	**Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**	
¨	Definitive Additional Materials			
¨	Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12			

CVS CAREMARK CORPORATION

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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¨ Fee paid previously with preliminary materials:

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(1) Amount previously paid:

Not Applicable

(2) Form, Schedule or Registration Statement No.:

Not Applicable

(3) Filing Party:

Not Applicable

(4) Date Filed:

Not Applicable

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CVS Caremark Corporation

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

MAY 12, 2010

9:00 A.M.

CVS Caremark Corporation

One CVS Drive

Woonsocket, Rhode Island 02895

To our stockholders:

We are pleased to invite you to attend our 2010 annual meeting of stockholders to:

- Elect 12 directors named in the accompanying proxy statement;
- Ratify the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm for fiscal 2010;
- Adopt the Company s 2010 Incentive Compensation Plan;
- Adopt a proposal to amend the Company s charter to allow stockholders the right to call special meetings of stockholders;
- Act on two stockholder proposals to be presented; and
- Conduct other business properly brought before the meeting.

Stockholders of record at the close of business on March 15, 2010 may vote at the meeting.

Your vote is important. Whether or not you plan to attend the meeting, please vote your shares. In addition to voting in person or by mail, stockholders of record have the option of voting by telephone or via the Internet. If your shares are held in the name of a bank, broker or other holder of record (i.e., in street name), please read your proxy card or other voting instructions to see which of these options are available to you. Even if attending the meeting in person, we encourage you to vote in advance by mail, phone or Internet.

By Order of the Board of Directors,

Thomas M. Ryan

Chairman of the Board, President and Chief Executive Officer

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 12, 2010.

The proxy statement and annual report to security holders are available at

http://info.cvscaremark.com/investors.

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INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

The Board of Directors of CVS Caremark Corporation (the Company or CVS Caremark) is soliciting your proxy to vote at our 2010 annual meeting of stockholders (or at any adjournment of the meeting). This proxy statement summarizes the information you need to know to vote at the meeting.

We began mailing this proxy statement and the enclosed proxy card on or about April 2, 2010 to all stockholders entitled to vote. The Company s 2009 Annual Report, which includes our financial statements, is being sent with this proxy statement.

Date, Time and Place of the Meeting

Date:	May 12, 2010
Time:	9:00 a.m. Eastern Time
Place:	CVS Caremark Customer Support Center (Company Headquarters)
	One CVS Drive
	Woonsocket, Rhode Island 02895

Shares Entitled to Vote

Stockholders entitled to vote are those who owned CVS Caremark common stock at the close of business on the record date, March 15, 2010. As of the record date, there were 1,388,453,454 shares of common stock outstanding. Each share of CVS Caremark common stock that you own entitles you to one vote.

The Bank of New York Mellon presently holds shares of common stock as Trustee under the 401(k) Plan and the Employee Stock Ownership Plan of CVS Caremark Corporation and Affiliated Companies (the ESOP). Each participant in the ESOP instructs the Trustee of the ESOP how to vote his or her shares. As to shares with respect to which the Trustee receives no timely voting instructions, the Trustee, pursuant to the ESOP Trust Agreement, votes these shares in the same proportion as it votes all the shares as to which it has received timely voting instructions.

Voting

Whether or not you plan to attend the annual meeting, we urge you to vote. You may vote by calling a toll-free telephone number, by using the Internet or by mailing your signed proxy card in the postage-paid envelope provided. If you vote by telephone or the Internet, you do NOT need to return your proxy card. Returning the proxy card by mail or voting by telephone or Internet will not affect your right to attend the meeting and change your vote, if desired.

If your shares are held in the name of a bank, broker or other holder of record (a nominee), you will receive instructions from the nominee that you must follow in order for your shares to be voted. Certain of these institutions offer telephone and Internet voting.

The enclosed proxy card indicates the number of shares that you own as of the record date.

Voting instructions are included on your proxy card. If you properly fill in your proxy card and send it to us in time to vote, or vote by telephone or the Internet, one of the individuals named on your proxy card (your proxy) will vote your shares as you have directed. If you sign the proxy card but do not make specific choices, your proxy will follow the Board s recommendations and vote your shares:

n FOR the election of all 12 nominees for director (as described beginning on page 52);

- FOR the ratification of the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm for fiscal 2010 (as described beginning on page 56);

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- FOR the adoption of the Company s 2010 Incentive Compensation Plan (as described beginning on page 57);
- FOR the adoption of a proposal to amend the Company s charter to allow stockholders the right to call special meetings of stockholders (as described beginning on page 63);

and

- AGAINST both of the stockholder proposals to be presented (as described beginning on page 64).

If any other matter is presented at the meeting, your proxy will vote in accordance with his or her best judgment. At the time this proxy statement went to press, we knew of no other matters to be acted on at the meeting.

Revoking your proxy card

You may revoke your proxy card by:

- sending in another signed proxy card with a later date;
- providing subsequent telephone or Internet voting instructions;
- notifying our Corporate Secretary in writing before the meeting that you have revoked your proxy card; or
- voting in person at the meeting.

Voting in person

If you plan to attend the meeting and vote in person, we will give you a ballot when you arrive. However, if your shares are held in the name of a nominee, you must bring an account statement or letter from the nominee indicating that you were the beneficial owner of the shares on March 15, 2010, the record date for voting.

Appointing your own proxy

If you want to give your proxy to someone other than the individuals named as proxies on the proxy card, you may cross out the names of those individuals and insert the name of the individual you are authorizing to vote. Either you or that authorized individual must present the proxy card at the meeting.

Proxy solicitation

We are soliciting this proxy on behalf of our Board of Directors and will bear the solicitation expenses. We are making this solicitation by mail but we may also solicit by telephone, e-mail or in person. We have hired Morrow & Co., LLC, 470 West Avenue, Stamford, CT 06902, for a fee of $25,000, plus out-of-pocket expenses, to provide customary assistance to us in the solicitation. We will reimburse banks, brokerage houses and other institutions, nominees and fiduciaries, if they request, for their expenses in forwarding proxy materials to beneficial owners.

Householding

Under U.S. Securities and Exchange Commission (SEC) rules, a single set of annual reports and proxy statements may be sent to any household at which two or more Company stockholders reside if they appear to be members of the same family. Each stockholder continues to receive a separate proxy card. This procedure, referred to as householding, reduces the volume of duplicate information stockholders receive and reduces mailing and printing expenses for the Company. The Company may household and brokers with accountholders who are Company stockholders may also be householding our proxy materials. As indicated in the notice previously provided by these brokers to our stockholders, a single annual report and

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proxy statement will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from an affected stockholder. Once you have received notice from your broker that it will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate annual report and proxy statement, please notify your broker so that separate copies can be delivered to you instead. Stockholders who currently receive multiple copies of the annual report and proxy statement at their address and who would prefer that their communications be householded should contact their broker.

Quorum Requirement

A quorum of stockholders is necessary to hold a valid meeting. The presence in person or by proxy at the meeting of holders of shares representing a majority of shares entitled to vote constitutes a quorum. Abstentions and broker non-votes are counted as present for establishing a quorum. A broker non-vote occurs on an item when a broker is not permitted to vote on that item absent instruction from the beneficial owner of the shares and no instruction is given.

Vote Necessary to Approve Proposals

- *Item 1. Election of Directors*. Each director is elected by a majority of the votes cast with respect to that director s election (at a meeting for the election of directors at which a quorum is present) by the holders of shares of common stock present in person or by proxy at the meeting and entitled to vote.

A majority of votes cast means that the number of votes for a director s election must exceed 50% of the votes cast with respect to that director s election. Votes against a director s election will count as a vote cast, but abstentions and broker non-votes will not count as a vote cast with respect to that director s election.

- *Item 3. Adoption of the Company s 2010 Incentive Compensation Plan.* Under New York Stock Exchange (NYSE) rules, the adoption of the Company s 2010 Incentive Compensation Plan requires a majority of votes cast, provided that the total votes cast must represent a majority of the shares entitled to vote on a proposal. Abstentions in this case have the effect of being counted as a vote against . Broker non-votes can have the effect of being counted as a vote against if they result in the total number of votes cast not representing a majority of the shares entitled to vote on the proposal.

- *All other proposals*. For all other proposals, approval is by affirmative vote (at a meeting at which a quorum is present) of a majority of the votes represented by the shares of common stock present at the meeting in person or by proxy and entitled to vote. Abstentions are counted as shares present or represented and voting and have the effect of a vote against. Broker non-votes are not counted as shares present or represented and voting and have no effect on the vote.

- *Broker voting*. Under current NYSE rules, if the record holder of your shares (usually a bank, broker or other nominee) holds your shares in its name, your record holder is permitted to vote your shares on Item 2, Ratification of Auditors, and Item 4, Management Proposal Regarding Special Stockholder Meetings, in its discretion, even if it does not receive voting instructions from you. On all other Items, including Item 1, Election of Directors, your record holder is not permitted to vote your shares without your instructions and such uninstructed shares are considered broker non-votes.

Important Change. An NYSE rule change that is effective for our 2010 meeting no longer permits brokers to vote in the election of directors if the record holder has not received instructions from the beneficial owner. This represents a change from prior years, when brokers had discretionary voting authority in the election of directors. Accordingly, it is particularly important that beneficial owners instruct their brokers how they wish to vote their shares.

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CORPORATE GOVERNANCE AND RELATED MATTERS

Corporate Governance Guidelines

The Company s Board of Directors acts as the ultimate decision-making body of the Company and advises and oversees management, who are responsible for the day-to-day operations and management of the Company. In carrying out its responsibilities, the Board reviews and assesses the Company s long-term strategy and its strategic, competitive and financial performance. The Board has adopted Corporate Governance Guidelines, which are available on our investor relations website at http://info.cvscaremark.com/investors and also available to stockholders at no charge upon request to the Company s Corporate Secretary. These guidelines meet or exceed the listing standards adopted by the NYSE, on which the Company s common stock is listed.

Meetings of the Board

During 2009, there were nine meetings of the Board of Directors. All of our directors at the time of the Company s 2009 annual meeting of stockholders attended the annual meeting. Directors are expected to make every effort to attend the annual meeting of stockholders, all Board meetings and the meetings of the Committees on which they serve. Each director attended at least 75% of the meetings of the Board and of Committees of which he or she was a member.

One Board meeting was our annual meeting of non-management directors. The non-management directors also regularly hold executive sessions during which the Company s management does not participate.

The Board s Leadership Structure

Mr. Thomas M. Ryan, the Company s President and Chief Executive Officer (CEO), currently serves as the Company s Chairman of the Board. The Board believes that the Company and its stockholders are best served by having the flexibility to have the same individual serve as Chairman and Chief Executive Officer, and that adopting a policy to restrict the Board s discretion in selecting the Chairman of the Board (as well as restricting the ability to combine the positions of Chairman and CEO) would deprive the Board of the ability to select the most qualified and appropriate individual to lead the Board as Chairman. The Board believes it is important to retain its flexibility to allocate the responsibilities of Chairman of the Board and Chief Executive Officer in any way that is in the best interests of the Company at any future point in time. The Board also believes that Board independence and oversight of management are effectively maintained through the Board s current composition, committee system and the position of Lead Director.

In November 2007, the Board amended its Corporate Governance Guidelines and appointed Mr. Terrence Murray as its Lead Director. Under the amended Guidelines the Lead Director: has the authority to call, and to lead, non-management director and independent director sessions; may retain independent legal, accounting or other advisors in connection with these sessions; presides at all meetings of the Board at which the Chairman is not present; facilitates communication and serves as a liaison between the Chairman and the independent directors; advises the Chairman of the informational needs of the Board; advises the Chairman regarding Board meeting agendas and as to the appropriate schedule of Board meetings; and may request inclusion of additional agenda items.

Mr. Ryan, in his capacities as Chairman, President and CEO, serves as a bridge between the Board and management and provides critical leadership for carrying out the Company s strategic initiatives and confronting its challenges. In short, the Board believes that a Chairman who is a member of CVS Caremark s management team is well situated to oversee and execute the Company s strategy and business plans to maximize stockholder value.

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The Board s Role in Risk Oversight

The Board of Directors role in risk oversight involves both the full Board of Directors and its committees. The Audit Committee is charged with the primary role in carrying out risk oversight responsibilities on behalf of the Board. Pursuant to its Charter, the Audit Committee annually reviews the Company s policies and practices with respect to risk assessment and risk management, including discussing with management the Company s major risk exposures and the steps that have been taken to monitor and mitigate such exposures. As part of CVS Caremark s ongoing Enterprise Risk Management process, each of the Company s major business units are responsible for identifying risks that could affect achievement of business goals and strategies, assessing the likelihood and potential impact of significant risks, prioritizing risks and actions to be taken in mitigation and/or response, and reporting to management s Executive Risk Steering Committee on actions to monitor, manage and mitigate significant risks. Additionally, the Chief Financial Officer (CFO), Chief Compliance Officer (CCO) and Chief Legal Officer (CLO) periodically report on the Company s risk management policies and practices to relevant Board committees and to the full Board. The Audit Committee reviews CVS Caremark s major financial risk exposures as well as major operational, compliance, reputational and strategic risks, including steps to monitor, manage and mitigate those risks. In addition, each of the other Board committees is responsible for oversight of risk management practices for categories of risks relevant to their functions. For example, the Management Planning and Development Committee has oversight responsibility for the Company s overall compensation structure, including review of its compensation practices, with a view to assessing associated risk. See Executive Compensation and Related Matters Compensation Discussion and Analysis Risk Assessment. The Board as a group is regularly updated on specific risks in the course of its review of corporate strategy, business plans and reports to the Board by its respective committees.

The Board considers its role in risk oversight when evaluating the Company s Corporate Governance Guidelines and its leadership structure. Both the Corporate Governance Guidelines and the Board s leadership structure facilitate the Board s oversight of risk and communication with management. Our Chairman and CEO is focused on the Company s risk management efforts and ensures that risk matters are appropriately brought to the Board and/or its committees for their review. The Company s Lead Director also is focused on the Board s risk oversight responsibilities and, together with the Chairman, helps lead Board discussions.

Director Nominations

Under the Company s Corporate Governance Guidelines, the Nominating and Corporate Governance Committee recommends to the Board criteria for Board membership and recommends individuals for membership on the Company s Board of Directors. Criteria used by the Committee in nominating directors are found in the Committee s charter and are attached to this proxy statement as Exhibit A. Although there is no specific policy on diversity, the Committee values diversity, which it broadly views in terms of gender, race, background and experience, as a factor in selecting members to serve on the Board, and believes that the diversity of the Board s current composition provides significant benefits to the Company. When considering current directors for re-nomination to the Board, the Committee takes into account the performance of each director. The Committee also reviews the composition of the Board in light of the current challenges and needs of the Board and the Company, and determines whether it may be appropriate to add or remove individuals after considering, among other things, the need for audit committee expertise and issues of independence, judgment, age, skills, background and experience. As desired, the Committee may confer with the Chairman and other directors as to the foregoing matters.

The Nominating and Corporate Governance Committee will consider any director candidates recommended by stockholders who submit a written request to the Secretary of the Company. The candidates should meet the Director Qualification Criteria noted above. The Committee evaluates all director candidates and nominees in the same manner regardless of the source. If a stockholder would like to nominate a person for election or re-election to the Board, he or she must provide notice to the Company as provided in our by-laws. Such notice must be addressed to the Corporate Secretary of the Company and must arrive at the Company in a timely manner, between 90 and 120 days prior to the anniversary of our last annual meeting of stockholders. The notice must include (i) the name and address, as they appear in the Company s books, of the stockholder giving the notice, (ii) the class and number of shares of the Company that are beneficially owned by the stockholder (including information concerning derivative ownership and other arrangements concerning our stock as described in our by-laws), (iii) a written consent indicating that the candidate is willing to be named in the proxy statement as a nominee and to serve as a director if elected, and (iv) any other information that the SEC would require to be included in a proxy statement when a stockholder submits a proposal. See Item 7: Other Matters Stockholder Proposals and Other Business for our Annual Meeting in 2011 for additional information related to the 2011 annual meeting.

The retirement age for CVS Caremark directors is 72. The Company s Corporate Governance Guidelines provide that no director who is or would be over the age of 72 at the expiration of his or her current term may be nominated to a new term, unless the Board waives the retirement age for a specific director in exceptional circumstances. Such a waiver has been granted with respect to Dr. William H. Joyce, Chair of the Company s Audit Committee, who is presently 74. The Board considered a waiver of the retirement age in this case appropriate and in the best interests of the Company in light of the exceptional experience and expertise of Dr. Joyce.

Independence Determinations for Directors

Under the Company s Corporate Governance Guidelines, a majority of our Board must be comprised of directors who meet the director independence requirements set forth in the Corporate Governance Rules of the NYSE applicable to listed companies. Under the NYSE Corporate Governance Rules, no director qualifies as independent unless the Board affirmatively determines that the director has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). The basis for a Board s determination that a relationship is not material must be disclosed in the Company s annual proxy statement. In this regard, the Board has adopted categorical standards to assist it in making determinations of independence, which are attached to this proxy statement as Exhibit B.

The Nominating and Corporate Governance Committee of the Board undertook its annual review of director independence in March 2010, and determined that each of Edwin M. Banks, C. David Brown II, David W. Dorman, Kristen Gibney Williams, Marian L. Heard, Dr. Joyce, Jean-Pierre Millon, Mr. Murray, C.A. Lance Piccolo, Sheli Z. Rosenberg and Richard W. Swift, is independent. Mr. Ryan is considered an inside director because of his current employment as Chairman, President and CEO of the Company.

In the course of its review as to the independence of each director, the Committee considered transactions and relationships, if any, between each director or any member of his or her immediate family, on the one hand, and the Company and its subsidiaries, on the other. In that regard, the Committee in making its recommendation and the Board in making its determination as to Mr. Murray s independence considered that, consistent with the categorical standards, Mr. Murray and members of his immediate family are equity holders in an entity with which the Company has had ordinary course, arm s-length business dealings that do not cross any of the NYSE bright-line tests, and with respect to which they are not directly responsible for or involved in such entity s business dealings with the Company. See Certain Transactions with Directors and Officers , below.

Contact with the Board, the Lead Director and Other Non-Management Directors

Stockholders and other parties interested in communicating directly with the Board, the Lead Director or with the non-management directors as a group may do so by writing to them care of CVS Caremark Corporation, One CVS Drive, Woonsocket, RI 02895. The Nominating and Corporate Governance Committee has approved a process for handling letters received by the Company and addressed to the Board, the Lead Director or to non-management members of the Board. Under that process, the Corporate Secretary of the Company reviews all such correspondence and regularly forwards to the Board a summary

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of all such correspondence and copies of all correspondence that, in the opinion of the Corporate Secretary, deals with the functions of the Board or committees thereof or that he otherwise determines requires their attention. Directors shall from time to time review a log of all correspondence received by the Company that is addressed to members of the Board and may request copies of any such correspondence. Concerns relating to accounting, internal accounting controls or auditing matters will be promptly brought to the attention of the Company s internal audit department and handled in accordance with procedures established by the Audit Committee with respect to such matters.

Code of Conduct

The Company has adopted a Code of Conduct that applies to all of our directors, officers and employees, including our CEO, CFO and Chief Accounting Officer. The Company s Code of Conduct is available on the Company s website at http://info.cvscaremark.com/investors, and will be provided to stockholders without charge upon request to the Company s Corporate Secretary. The Company intends to post amendments to or waivers from its Code of Conduct (to the extent applicable to the Company s executive officers or directors) at that location on its website within the timeframe required by SEC rules.

Committees of the Board

Audit Committee

William H. Joyce, Chair

Edwin M. Banks

Kristen Gibney Williams

Marian L. Heard

Richard J. Swift

The Audit Committee met eight times during 2009. Each member of the Committee is financially literate and independent of the Company and management under the standards set forth in applicable SEC rules and the Corporate Governance Rules of the NYSE. The Board has designated each of Dr. Joyce, Mr. Banks and Mr. Swift as an audit committee financial expert, as defined under applicable SEC rules. The Board has approved a charter for the Committee, a copy of which can be viewed on the Company s website at http://info.cvscaremark.com/investors, and also is available to stockholders without charge upon request to the Company s Corporate Secretary. Pursuant to its charter, the Committee assists the Board in its oversight of: (i) the integrity of the financial statements of the Company; (ii) the qualifications, independence and performance of the Company s independent registered public accounting firm, for whose appointment the Committee bears principal responsibility; (iii) the performance of the Company s internal audit function; (iv) the Company s policies and practices with respect to risk assessment and risk management, including discussing with management the Company s major financial risk exposures and the steps that have been taken to monitor and control such exposures; (v) compliance with the Company s Code of Conduct; (vi) review and ratification of any related person transactions pursuant to the Company s policy on such matters; and (vii) compliance by the Company with legal and regulatory requirements. The Committee also approved the Audit Committee Report that is found on page 13 of this proxy statement.

Nominating and Corporate Governance Committee

David W. Dorman, Chair

Edwin M. Banks

C. David Brown II

Marian L. Heard

Sheli Z. Rosenberg

The Nominating and Corporate Governance Committee met four times during 2009. Each member of the Committee is independent of the Company and management under the standards set forth in the Corporate Governance Rules of the NYSE. The Board has approved a charter for the Committee, a copy of

which can be viewed on the Company s website at http://info.cvscaremark.com/investors, and also is available to stockholders without charge upon request to the Company s Corporate Secretary. Pursuant to its charter, the Committee has responsibility for: (i) identifying individuals qualified to become Board members; (ii) recommending to the Board director nominees for election at the next annual or special meeting of stockholders at which directors are to be elected or to fill any vacancies or newly-created directorships that may occur between such meetings; (iii) recommending directors for appointment to Board committees; (iv) making recommendations to the Board as to determinations of director independence; (v) evaluating Board and committee performance; and (vi) reviewing and assessing the Company s Corporate Governance Guidelines and overseeing compliance with such Guidelines.

Management Planning and Development Committee

Sheli Z. Rosenberg, Chair

C. David Brown II

David W. Dorman

Jean-Pierre Millon

Terrence Murray

C.A. Lance Piccolo

The Management Planning and Development Committee met five times during 2009. Each member of the Committee is independent of the Company and management under the standards set forth in the Corporate Governance Rules of the NYSE. No Committee member participates in any of the Company s employee compensation programs and none is a current or former officer or employee of CVS Caremark or its subsidiaries. At its meetings, non-members, such as the CEO, the CFO, the Chief Human Resources Officer, the CLO, other senior human resources and legal officers, or external consultants, may be invited to provide information, respond to questions and provide general staff support. However, no CVS Caremark executive officer is permitted to be present during any discussion of his or her compensation or performance, and the Committee may exercise its prerogative to meet in executive session without non-members.

The Committee s responsibilities are specified in its charter. The charter, as approved by the Board, may be viewed on the Company s website at http://info.cvscaremark.com/investors, and also is available to stockholders without charge upon request to the Company s Corporate Secretary. These responsibilities fall into six broad categories. Pursuant to its charter, the Committee: (i) oversees the Company s compensation and benefits policies and programs generally; (ii) evaluates the performance of designated senior executives, including the CEO, and reviews the Company s management succession plan; (iii) in consultation with the other independent directors of the Company, oversees and sets compensation for the CEO; (iv) oversees and sets compensation for the Company s designated senior executives; (v) reviews and recommends to the Board compensation (including cash and equity-based compensation) for the Company s directors; and (vi) approves the Management Planning and Development Committee Report found on page 35 of this proxy statement. The Committee may delegate its authority relating to employees other than executive officers and directors as it deems appropriate and may also delegate its authority relating to ministerial matters.

The Committee oversaw the performance of a risk assessment of the Company s compensation policies and practices with specific focus on incentive programs across the organization to ascertain any potential material risks that may be created by the compensation programs. The Committee considered the findings of the assessment and concluded that the Company s compensation programs are designed and administered with the appropriate balance of risk and reward in relation to its overall business strategy and do not encourage employees to take unnecessary or excessive risks. For non-executives, incentives represent a small percentage of total compensation so participants would not be rewarded for excessive risk-taking. The exception would be in sales where commission income can represent a significant portion of total compensation. In that case, our assessment looked at the goal setting process. No sales plan participants establish sales goals; sales goals are established by members of management who do not participate in the

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sales commission plans. The assessment also looked at the cost of non-executive incentive plans across the organization and determined it is not material to the Company s financial performance.

A discussion of risk assessment with respect to the executive compensation programs is included in the Compensation Discussion and Analysis section, which begins on page 16.

As provided in its charter, the Committee has the authority to determine the scope of the external compensation consultant s services and may terminate the engagement at any time. The external compensation consultant reports to the Committee Chair. The Committee has retained Mercer, a wholly-owned subsidiary of Marsh & McLennan Companies, Inc. (MMC), to assist the Committee with its responsibilities related to the Company s executive compensation programs. Mercer s fees for executive compensation consulting to the Committee in fiscal year 2009 were $255,424. During fiscal 2009, Mercer:

- Collected, organized and presented quantitative competitive market data for a relevant competitive peer group with respect to executive officers target, annual and long-term compensation levels;
- Reviewed and commented on management recommendations on salary increases, short- and long-term compensation awards and incentive compensation design;
- Developed and delivered an annual Committee briefing on executive compensation legislative and regulatory developments and trends and their implications for CVS Caremark;
- Collected market data and provided recommendations for non-employee director compensation to the Committee for approval by the Board; and
- Conducted an analysis of recoupment practices, including against peer group and general industry trends.

During the fiscal year, the Company decided to retain Mercer and its MMC affiliates to provide services, unrelated to executive compensation, which have been reviewed and approved by the Committee. For example, CVS Caremark s human resources division utilized Mercer on occasion for general human resources and compensation consulting. In 2009, the Company engaged Mercer to collect and organize competitive market data for key non-executive positions. The Company also used other MMC affiliates for services unrelated to executive compensation, including property and casualty insurance brokering and related consulting services, risk management services and bonding services. These other MMC affiliates are separate operating companies of MMC, and the Company has separate relationships with the service teams at each of these operating companies. The aggregate fees paid in 2009 to Mercer and its MMC affiliates for all services unrelated to executive compensation were approximately $2,981,310. With respect to executive compensation services, Mercer has been retained by and answers to the Committee; relationships with the other MMC affiliates are overseen by various management employees of the Company.

The Committee believes that the advice it receives from Mercer is objective and not influenced by the relationship that Mercer and the MMC affiliates might otherwise have with the Company. The Committee and Mercer have policies and procedures in place to preserve the objectivity and integrity of the executive compensation consulting advice, including:

- The consultant receives no incentive or other compensation based on the fees charged to the Company for other services provided by Mercer or any of its affiliates;
- The consultant is not responsible for selling other Mercer or affiliate services to the Company;

- The Committee has the sole authority to retain and terminate the executive compensation consultant;

- The consultant has direct access to the Committee without management involvement;

- While it is necessary for the consultant to interact with management to gather information, the Committee determines if and how the consultant s advice can be shared with management; and

- The Committee may choose to meet with the consultant in executive session, without management present, to discuss recommendations.

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Executive Committee

C. David Brown II

David W. Dorman

Terrence Murray

Thomas M. Ryan

The Executive Committee did not meet in 2009. At all times when the Board is not in session, the Executive Committee may exercise most of the powers of the Board, as permitted by applicable law.

Director Compensation

The Company uses a full retainer approach to compensating its outside directors, which the Management Planning and Development Committee and the Board believe better reflects the ongoing accountabilities of directors. Service on the Board requires directors to commit significant amounts of time to Company matters year-round, not only at meetings. The full-retainer approach also facilitates administration of the directors compensation program. Each non-employee director receives an annual retainer of $260,000. Additional annual retainers are paid as follows: Chairs of the Nominating and Corporate Governance and Management Planning and Development Committees, $10,000 each; Chair of the Audit Committee, $20,000; and Lead Director, $20,000. Each of the retainers is paid semi-annually; at least 75% of each retainer must be paid in shares of Company common stock; directors may elect to receive all of their retainers in stock. The payment of annual and additional retainers in substantially all Company common stock (or fully in Company common stock at a director s election) is consistent with our policy of using equity compensation to better align directors interests with stockholders and enhances the directors ability to meet and continue to comply with the stock ownership guidelines described below. Directors may continue to elect to defer receipt of shares; deferred shares will be credited with dividend equivalents.

All non-employee directors must own a minimum of 10,000 shares of CVS Caremark common stock. Directors must attain this minimum ownership level within five years of being elected to the Board and must retain this minimum ownership level for at least six months after leaving the Board. Each of our directors has attained the minimum ownership level.

Directors are eligible to receive stock options, but typically do not receive them. They do not participate in a pension plan or nonqualified deferred compensation plan with above market earnings. Directors are eligible to participate in the Employee Discount Program and are subject to the same terms of the program as Company employees. Caremark Rx, Inc. had provided medical, dental and prescription drug coverage to its directors and their eligible dependents while the director was serving on its board. Messrs. Banks and Piccolo, who currently serve as directors of the Company, continued their medical and dental coverage through 2009, paying the same premium rates as Company employees. Through 2010, Messrs. Banks and Piccolo are allowed to remain covered under the Company s medical and dental programs, provided they pay the full cost of coverage. After December 31, 2010, they will not be eligible for medical and dental coverage through the Company. The Company has extended to all directors the option to enroll themselves and their eligible dependents in the Company s prescription drug benefit program, paying the same premium rates as employees. If a director retires from the Board with at least five years of service, the Company will allow continued participation in the prescription drug benefit plan, but the director must bear the full cost of the premium.

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The following chart shows amounts paid to each of our non-employee directors in fiscal 2009.

Non-Employee Director Compensation Fiscal Year 2009

Name	Fees Earned and Paid in Cash (1) ($)	Cash Fees Elected to be Paid in Stock (2) ($)	Stock Awards (2) ($)	All Other Compen-sation (3) ($)	Total ($)
Edwin M. Banks	65,000		195,000	11,366	271,366
C. David Brown II		65,000	195,000	1,538	261,538
David W. Dorman	17	67,483	202,500		270,000
Kristen Gibney Williams	65,000		195,000	747	260,747
Marian L. Heard		65,000	195,000	1,538	261,538
William H. Joyce		70,000	210,000		280,000
Jean-Pierre Millon	23	64,977	195,000		260,000
Terrence Murray	42	69,958	210,000		280,000
C. A. Lance Piccolo	65,000		195,000	7,239	267,239
Sheli Z. Rosenberg	17	67,483	202,500		270,000
Richard J. Swift		65,000	195,000	867	260,867

(1) The amounts shown include cash payments made in lieu of fractional shares to Ms. Rosenberg and Messrs. Dorman, Millon and Murray.

(2) These awards are fully vested at grant and the amounts shown represent both the fair market value and the full fair value at grant. As of December 31, 2009, our directors had deferred receipt of shares of Company common stock as follows: Mr. Banks, 11,335; Mr. Brown, 15,114; Mr. Dorman, 14,578; Ms. Heard, 66,860; Dr. Joyce, 87,412; Ms. Rosenberg, 18,495; and Mr. Swift, 21,427 shares.

(3) Represents Company contributions for director health and prescription benefits.

Certain Transactions with Directors and Officers

In accordance with SEC rules, the Board has adopted a written Related Person Transaction Policy (the Policy). The Audit Committee of the Board has been designated as the Committee responsible for reviewing, approving or ratifying any related person transactions under the Policy.

Pursuant to the Policy, all executive officers, directors and director nominees are required to notify the Company s CLO or Corporate Secretary of any financial transaction, arrangement or relationship, or series of similar transactions, arrangements or relationships, involving the Company in which an executive officer, director, director nominee, 5% beneficial owner or any immediate family member of such a person has a direct or indirect material interest. Such officers, directors, nominees, 5% beneficial owners and their immediate family members are considered related persons under the Policy.

For the above purposes, immediate family member includes a person s spouse, parents, siblings, children, in-laws, step-relatives and any other person sharing the household (other than a tenant or household employee).

The CLO or the Corporate Secretary will present any reported new related person transactions, and proposed transactions involving related persons, to the Audit Committee at its next regular meeting, or earlier if appropriate. The Committee shall review transactions to determine whether the related person involved has a direct or indirect material interest in the transaction. The Committee may conclude, upon review of all relevant information, that the transaction does not constitute a related person transaction, and thus that no further review is required under the Policy. On an annual basis, the Committee shall review previously approved related person transactions, under the standards described below, to determine whether such transactions should continue.

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In reviewing the transaction or proposed transaction, the Committee shall consider all relevant facts and circumstances, including without limitation the commercial reasonableness of the terms, the benefit and perceived benefit, or lack thereof, to the Company, the availability and/or opportunity costs of alternate transactions, the materiality and character of the related person s direct or indirect interest, and the actual or apparent conflict of interest of the related person. The Committee will not approve or ratify a related person transaction unless it shall have determined that, upon consideration of all relevant information, the transaction is in, or not inconsistent with, the best interests of the Company and its stockholders.

If after the review described above, the Committee determines not to approve or ratify a related person transaction (whether such transaction is being reviewed for the first time or has previously been approved and is being re-reviewed), the transaction will not be entered into or continued, as the Committee shall direct.

Notwithstanding the foregoing, the following types of transactions are deemed not to create or involve a material interest on the part of the related person and will not be reviewed, nor will they require approval or ratification, under the Policy:

(i) Transactions involving the purchase or sale of products or services in the ordinary course of business, not exceeding $120,000.

(ii) Transactions in which the related person s interest derives solely from his or her service as a director of another corporation or organization that is a party to the transaction.

(iii) Transactions in which the related person s interest derives solely from his or her ownership of less than 10% of the equity interest in another entity (other than a general partnership interest) which is a party to the transaction.

(iv) Transactions in which the related person s interest derives solely from his or her ownership of a class of equity securities of the Company and all holders of that class of equity securities received the same benefit on a pro rata basis.

(v) Transactions in which the related person s interest derives solely from his or her service as a director, trustee or officer (or similar position) of a not-for-profit organization or charity that receives donations from the Company, which donations are made in accordance with the Company s matching program that is available on the same terms to all employees of the Company.

(vi) Compensation arrangements of any executive officer, other than an individual who is an immediate family member of a related person, if such arrangements have been approved by the Management Planning and Development Committee.

(vii) Director compensation arrangements, if such arrangements have been approved by the Board.

(viii) Indemnification payments and payments made under directors and officers indemnification insurance policies or made pursuant to the certificate of incorporation or by-laws of the Company or any of its subsidiaries or pursuant to any policy, agreement or instrument.

The Board reviews the Policy on an annual basis and will make changes as appropriate.

Additionally, under the Company s Corporate Governance Guidelines and its Code of Conduct, with respect to any transaction in which a director or executive officer has a personal interest, such that a potential conflict of interest could arise, the director or executive officer must report the matter immediately to the Company s CLO or the CCO who will, where appropriate, report the matter to the Nominating and Corporate Governance Committee for evaluation and appropriate resolution.

If a director has a personal interest in a matter before the Board, the director shall disclose the interest to the full Board, will recuse himself or herself from participation in the discussion and will not vote on the matter.

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Furthermore, proposed charitable contributions by the Company within any given fiscal year in an aggregate amount exceeding $120,000, to an entity for which a director or a member of his or her immediate family serves as a director, officer, or member of such entity s fund-raising organization or committee, will be subject to prior review and approval by the Audit Committee (with notification to the Nominating and Corporate Governance Committee).

In addition, under the Nominating and Corporate Governance Committee s charter, such Committee shall evaluate the possibility that a director s independence may be compromised or impaired for Board or committee purposes if director compensation exceeds customary levels, if the Company makes substantial charitable contributions to an organization with which a director is affiliated, or if the Company enters into consulting contracts with (or provides other indirect forms of compensation to) a director (which consulting contracts or other indirect forms of compensation are expressly prohibited for Audit Committee members).

On August 31, 2007, Mr. Murray and his children acquired a 64.6% ownership interest in an entity that owns a shopping center in Guilford, CT (the Center). A CVS/pharmacy store has been a tenant of the Center since 1994 and is one of 11 existing tenants in the Center, occupying approximately 28% of the Center s total space. The store s lease was for an initial 10-year term with two five-year renewal options, which were exercised in 2005 and 2010. The lease, including the payments thereunder, was not changed in any way when the ownership interest in the Center was acquired by the Murrays. The amount paid by the CVS/pharmacy store to the Center in rent and related fees in 2009 was approximately $281,500. During 2009, the Company entered into a lease for a larger store location to be built within the Center that will include a drive-thru. When the new location is completed, which is expected to occur in 2011, the prior lease will be terminated. The new lease, which has a 25-year term with four 5-year options and rent of $480,000 per year during the initial term, was approved in the ordinary course of business by the Company s real estate committee and its terms were reviewed and ratified by our Audit Committee under the Policy. The Murrays had no role or involvement in the discussions on behalf of the Center. Consequently, the Company believes that the terms of this transaction were determined in an arm s-length manner.

On December 21, 2009, the Company announced that it had hired Per G.H. Lofberg to be Executive Vice President, CVS Caremark Corporation and President, Caremark Pharmacy Services. Mr. Lofberg was then the President and Chief Executive Officer of Generation Health, Inc. (Generation Health). Concurrently with the Company s hiring of Mr. Lofberg, the Company made an additional equity investment in Generation Health and all of Mr. Lofberg s interest in Generation Health was acquired by a subsidiary of CVS Caremark. The Lofberg Family Partnership LP received approximately $5.2 million in consideration of the sale of its entire interest in Generation Health. The terms of the Generation Health transaction were reviewed and ratified by our Audit Committee under the Policy.

Audit Committee Report

The Audit Committee of the Board of Directors (for purposes of this report, the Committee) is composed of five independent directors. Set forth below is the report of the Committee on its activities with respect to CVS Caremark s audited financial statements for the fiscal year ended December 31, 2009 (the audited financial statements).

n The Committee has reviewed and discussed the audited financial statements with management;

n The Committee has discussed with Ernst & Young LLP (Ernst & Young), the Company s independent registered public accounting firm, the matters required to be discussed by Statement on Auditing Standards No. 61, as amended and as adopted by the Public Company Accounting Oversight Board (PCAOB) in Rule 3200T;

n The Committee has received the written disclosures and the letter from Ernst & Young pursuant to applicable requirements of the PCAOB regarding Ernst & Young s communications with the Committee concerning independence, and has discussed with Ernst & Young its independence from the Company; and

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- Based on the review and discussions referred to above and relying thereon, the Committee recommended to the Board of Directors that the audited financial statements be included in CVS Caremark s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, for filing with the SEC.

William H. Joyce, Chair

Edwin M. Banks

Kristen Gibney Williams

Marian L. Heard

Richard J. Swift

Share Ownership of Directors and Certain Executive Officers

The following table shows the share ownership, as of March 5, 2010, of each director, each executive officer appearing in the Summary Compensation Table found on page 36 and all directors and executive officers as a group, based on information provided by these individuals. Each individual beneficially owns less than 1% of our common stock and, except as described in the footnotes to the table, each person has sole investment and voting power over the shares. None of the shares listed below has been pledged as collateral.

	Ownership of Common Stock (1)	
Name	Number	Percent
Edwin M. Banks	195,722(1)(6)	*
Troyen A. Brennan	91,412(1)(2)	*
C. David Brown II	150,290(1)(6)	*
David W. Dorman	30,223(6)	*
Kristen Gibney Williams	63,408	*
Marian L. Heard	98,528(1)(6)	*
William H. Joyce	136,031(1)(6)	*
Howard A. McLure	73,631(2)(3)(7)	*
Larry J. Merlo	2,165,213(1)(2)(3)(4)(5)	*
Jean-Pierre Millon	127,654(1)(8)	*
Terrence Murray	70,771(9)	*
C.A. Lance Piccolo	253,603(1)	*
David B. Rickard	981,534(1)(3)(4)(5)	*
Sheli Z. Rosenberg	135,655(6)	*
Thomas M. Ryan	8,517,702(1)(2)(3)(4)(5)(10)	*
Douglas A. Sgarro	735,202(1)(2)(4)(5)	*
Richard J. Swift	25,483(6)	*
All directors and executive officers as a group (25 persons)	15,283,765(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)	1.09%

*Less than 1%.

(1) Includes the following shares of common stock not currently owned, but subject to options which were outstanding on March 5, 2010 and were exercisable within 60 days thereafter: Mr. Banks, 161,170; Mr. Brennan, 48,177; Mr. Brown, 83,014; Ms. Heard, 30,000; Dr. Joyce, 30,000; Mr. Merlo, 1,005,045; Mr. Millon, 67,465; Mr. Piccolo, 67,465; Mr. Rickard, 553,949; Mr. Ryan, 4,750,001; Mr. Sgarro, 463,171; and all directors and executive officers as a group, 8,134,023.

(2)

Includes the following shares of common stock granted under the Company s 1997 Incentive Compensation Plan (the 1997 ICP) that remain subject to certain restrictions regarding employment and transfer as provided in the 1997 ICP: Mr. Brennan, 32,489; Mr. McLure, 43,720; Mr. Merlo, 248,431; Mr. Ryan, 480,985; Mr. Sgarro, 74,893; and all executive officers as a group, 1,099,467.

(3) Includes the following shares of common stock that were receivable upon the lapse of restrictions on restricted stock units or the exercise of options, but the actual receipt of which was deferred pursuant to the Company s Deferred Stock Compensation Plan, and which do not have current voting rights: Mr. McLure, 24,050; Mr. Merlo, 431,320; Mr. Rickard, 179,695; Mr. Ryan, 1,702,615; and all directors and executive officers as a group, 2,400,668.

(4) Includes shares of common stock held by the Trustee of the ESOP that are allocated to the executive officers as follows: Mr. Merlo, 6,126; Mr. Rickard, 1,727; Mr. Ryan, 8,261; Mr. Sgarro, 2,172; and all executive officers as a group, 29,035.

(5) Includes the following hypothetical shares of common stock held in notional accounts in the Company s unfunded Deferred Compensation Plan, which do not have current voting rights: Mr. Merlo, 5,269; Mr. Rickard, 15,049; Mr. Ryan, 13,819; Mr. Sgarro, 4,614 and all executive officers as a group, 43,032.

(6) Includes the following shares of common stock constituting deferred non-employee director compensation, which do not have current voting rights: Mr. Banks, 11,365; Mr. Brown, 15,153; Mr. Dorman, 14,616; Ms. Heard, 67,036; Dr. Joyce, 87,641; Ms. Rosenberg, 18,543; Mr. Swift, 21,483; and all non-employee directors as a group, 235,837.

(7) Includes 2,512 shares held by his spouse. Mr. McLure disclaims beneficial ownership of these shares.

(8) Includes 60,189 shares held in a family trust.

(9) Includes 2,148 shares held by a family-related limited liability company of which Mr. Murray holds a membership interest. Mr. Murray disclaims beneficial ownership of these shares.

(10) Includes 37,000 shares held by a family foundation. Mr. Ryan disclaims beneficial ownership of these shares.

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EXECUTIVE COMPENSATION AND RELATED MATTERS

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary and 2009 Performance

At CVS Caremark, our commitment to paying for performance both short- and long-term is reflected in our executive compensation philosophy, described below. We believe that when we outperform our Total Peer Group (14 retail and health care companies, described in more detail below), we should reward our senior team above the median and when we underperform, rewards should be reduced.

Our performance for 2009 and comparisons to our Total Peer Group s performance demonstrate that we navigated through a challenging economic environment and effectively managed expenses. Our financial performance has been consistently better than the majority of the companies in our Total Peer Group in each of the performance measures for the 1-, 3- and 5-year periods ended December 31, 2009.

- n CVS Caremark ranked first or second of companies in our Total Peer Group in revenue growth for both the 1-year and the 3-year performance periods.

- n Our operating income ranked in the top half for the 1-year performance period and ranked first for the 3-year performance period.

- n Our 3- and 5-year Total Shareholder Return (TSR) ranks in the top third of our Total Peer Group. Despite strong financial performance, our TSR for the 1-year performance period ranked in the bottom third of our Total Peer Group.

In considering performance, the Management Planning and Development Committee (the Committee) looked beyond the Company s strong 2009 financial results and took note of the growth outlook for 2010. Driven largely by the results of the 2010 pharmacy benefit management (PBM) selling season (which was completed during 2009), our pharmacy services segment s earnings for the coming year are forecasted to decline from 2009 levels. The financial markets reaction to 2010 s overall financial outlook temporarily impacted our stock s performance and thus significantly lowered our near-term TSR performance measure.

As discussed more fully below, the 2010 growth outlook influenced the Committee s decision to exercise negative discretion in determining 2009 annual incentive awards for several senior executives, including the CEO.

This section of the proxy statement explains how our executive compensation programs are designed and operate with respect to our named executive officers (NEOs), which for 2009 include:

- n Thomas M. Ryan, Chairman, President and CEO;

- n David B. Rickard, EVP, CFO and Chief Administrative Officer, who retired from the Company on December 31, 2009;

- n Troyen A. Brennan, EVP and Chief Medical Officer;

- n Larry J. Merlo, EVP and President CVS/pharmacy;

- Douglas A. Sgarro, EVP and Chief Legal Officer; and

- Howard A. McLure, EVP and President Caremark Pharmacy Services, who retired from the Company on November 27, 2009.

Introduction

CVS Caremark is the largest pharmacy health care provider in the United States. Through our integrated offerings across the entire spectrum of pharmacy care, we are uniquely positioned to provide greater access, engage plan members in behaviors that improve their health, and lower overall health care

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costs for health plans, plan sponsors and their members. CVS Caremark is a market leader in mail order pharmacy, retail pharmacy, specialty pharmacy, and retail clinics, and is a leading provider of Medicare Part D prescription drug plans. We are also a leading provider of Medicare Part D Prescription Drug Plans. As one of the country s largest PBMs, we provide access to a network of more than 64,000 pharmacies, including approximately 7,000 CVS/pharmacy stores that provide unparalleled service and capabilities. Our clinical expertise includes one of the industry s most comprehensive disease management programs. General information about CVS Caremark is available through the Company s website at http://info.cvscaremark.com.

A primary component of the Company s human resources strategy to ensure that we have high caliber leadership is the identification, recruitment, development and placement of key management and business talent. The CVS Caremark Board and the executive management team believe that a crucial aspect of successfully executing this strategy is a comprehensive, integrated and straightforward executive compensation platform, which provides competitive and differentiated levels of pay based on corporate and individual performance to reinforce the alignment of executive interests with those of stockholders.

Executive Compensation Philosophy and Core Principles

The Committee is charged with establishing and overseeing CVS Caremark s executive compensation strategies and practices. The Committee has identified five core principles to motivate the executive officers to improve the financial and operating position of the Company, take personal responsibility for the performance of the business and make decisions about the Company s business that will deliver stockholder value. The five core principles reflect the objectives of CVS Caremark s executive compensation philosophy and are reinforced by our comprehensive executive compensation program.

1. Support, communicate and drive achievement of CVS Caremark s business strategies and goals.

2. Attract and retain the highest caliber executive officers by providing compensation opportunities comparable to those offered by other companies with which CVS Caremark competes for business and talent.

3. Motivate high performance among executive officers in an incentive-driven culture by delivering higher rewards for superior performance and reduced awards for underperformance.

4. Closely align the interests of executive officers with stockholders interests and foster an equity ownership environment.

5. Reward the achievement of short-term results as well as long-term stockholder value creation.

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The Committee believes that each of the components of our executive compensation program, which will be discussed later in this Compensation Discussion and Analysis, must contribute to the furtherance of one or more of our five Core Principles, as outlined in the following chart:

Compensation Element	Objective	Key Features
Base Salary	Attract and retain high-caliber talent and provide a minimum, fixed level of cash compensation.	Reviewed annually and adjusted based on comparability to external market peers, corporate profitability, position responsibility and individual qualifications and performance. Salaries compared to those of comparable positions in Total Peer Group and internal salary levels of other executive officers and senior employees generally.
Annual Cash Incentive	Motivate high performance and reward short-term individual and Company performance results.	Annual cash incentive targets are set as a percentage of base salary. Payments are based on a formula that includes performance against operating profit target and customer service and satisfaction targets with a minimum, below which no payment will be made, and an established upper limit.
Cash and Stock Long-Term Incentive Plan (LTIP)	Reward multi-year financial success, which supports the Company s long-term strategic objectives. Encourages stock ownership and reinforces an alignment of executives interests with those of stockholders.	Paid equally in cash and Company common stock based on meeting earnings per share growth performance goals during overlapping three-year performance cycles. The executive is prohibited from selling or trading the shares for two years following the payment date.
Stock Options and Restricted Stock Units	Align executive and stockholder interests through equity ownership and reward creation of long-term value by encouraging executives to focus on long-term financial progress with the dual objective of enhancing stockholder value and promoting executive retention.	Annual nonqualified stock option grants with seven-year terms that vest in three equal installments on each of the first, second and third anniversaries of the grant and return actual value only to the extent that the Company s stock price appreciates. Annual restricted stock unit award that vests only upon continued employment with the Company.

Total long-term compensation opportunity for each executive (equity components and cash and stock LTIP) is determined as part of

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Compensation Element	Objective	Key Features
		the overall process of establishing performance goals and expressed as a target value with a minimum and maximum range, denominated in dollars.
		Award levels are based on a review of competitive market information and peer group and company performance against short- and long-term goals, and assessment of each officer s performance, contribution and anticipated future role at the Company.
Supplemental Retirement Plan I For Select Senior Management (SERP)	Supplement the retirement benefits of selected executive employees.	Unfunded SERP, including certain NEOs; there will be no new participants in this plan.
Deferred Compensation Plan (DCP) and Deferred Stock Compensation Plan (DSP)	Provide savings in a tax-efficient manner and enhance focus on stock ownership.	The DCP offers a variety of investment choices, none of which represents an above-market return, with up to a 5% match on eligible compensation deferred into the Plan, offset by any match provided under the qualified defined contribution plan.
		The DSP units fluctuate in value based on the performance of the Company s common stock.

The Committee references specific policies and guidelines to ensure adherence to the philosophy statements outlined above when considering the initial design and any subsequent changes to CVS Caremark s executive compensation programs. In particular, the Committee examines the competitive positioning of total direct compensation, the ratio of current to long-term compensation, the relative levels of cash and non-cash compensation and the mix of fixed and variable compensation. In addition, when considering changes to the benefits and perquisite components of compensation, the Committee assesses competitive market practice and the impact of any such change on the overall total compensation package offered to CVS Caremark executives.

Competitive Positioning

In consultation with Mercer, the Committee initiates an annual review of the peer group against which financial performance and competitive positioning of compensation programs are assessed. The principal criteria used to determine membership in the peer group include revenue size and industry segment, with consideration also given to geographic scope, diversification of operations and comparability of compensation practices. Our peer group is comprised of large, first-tier companies with national footprints in pharmacy, pharmacy benefit management, insurance, healthcare, food, general and specialty retailer segments. In 2009, the Committee reviewed the peer group for purposes of evaluating 2009 compensation levels. Retail companies with revenues generally of at least $45 billion and health care companies with revenues of at least $25 billion for the most recently completed fiscal year were considered as peer companies. CVS Caremark falls in the top quartile when this peer group is ranked by revenue.

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The resulting peer group (the Total Peer Group) consists of 14 companies:

Retail Peers	2009 Revenues ($B)
Kroger Co.	$ 76.0
Costco Wholesale Corporation	71.4
Home Depot, Inc.	66.2
Target Corporation	65.4
Walgreen Co.	63.3
Lowe s Companies, Inc.	47.2
Sears Holding Co.	44.0

Health Care Peers	2009 Revenues ($B)
McKesson Corporation	$ 106.6
Cardinal Health, Inc.	99.5
UnitedHealth Group Inc.	87.1
AmerisourceBergen Corp.	71.8
Wellpoint Inc.	65.0
Medco Health Solutions Inc.	59.8
Aetna Inc.	34.8
CVS Caremark Corporation	98.7

Wal-Mart Stores, Inc., Rite Aid Corporation and Express Scripts, Inc. continue to be viewed as reference points, but their data are excluded from the quantitative analyses of compensation levels because the companies do not meet our criteria.

Additionally, the Committee considers data from 15 large US-based general industry corporations, excluding companies in the financial services, oil and automobile industries, founder companies and companies with unusual ownership structures, as we believe these types of companies are not representative benchmarks. Compensation paid to executive officers of the general industry companies is used as a general reference point by the Committee when considering compensation decisions for the Company s executive officers, but is excluded from the quantitative analyses of compensation levels because the companies are either not in our specific industry segment or do not meet our selection criteria.

Total Direct Compensation

The Company s management recommends and the Committee and Board approve financial performance targets that are challenging. Such targets, if achieved, can deliver superior value to stockholders. In recent years, CVS Caremark s performance, as measured by total stockholder return, revenue and profit growth, and other financial indicators, has consistently ranked in the upper quartiles when compared to the financial results of its Total Peer Group. Consistent with the setting of stretch performance targets and the relative value of their achievement as measured by return to stockholders, CVS Caremark positions its target total direct compensation, which comprises base salary plus annual and long-term incentives, for its executive officers between the 50^{th} and 75^{th} percentiles of that of the organizations in its Total Peer Group. The Committee believes that it is appropriate to reward the executive management team with compensation above the competitive median if the financial targets associated with the variable pay programs are delivered or exceeded. Conversely, if the financial targets are missed, awards are reduced.

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Executive Compensation Policies Responsibilities

After the end of the fiscal year, CVS Caremark s finance department provides the Committee an overview of the Company s performance relative to the annual and long-term incentive plans, including remarks by the CEO and CFO that provide context and background. The overview also includes an annual and multi-year comparison of CVS Caremark s performance compared to that of the Total Peer Group. Key financial metrics, including total stockholder return, growth in revenue and operating profit, are discussed with a focus on the Company s ranking within the Total Peer Group and against other performance indices.

The CEO also presents to the independent directors of the Board a self-assessment of his performance against his strategic, operational and financial goals of the Company approved by the Board at the beginning of the performance year. All of the independent directors meet privately to discuss and assess the performance of the CEO. The meeting is facilitated by the Lead Director and the Committee Chair, who later discuss the directors perspectives with the CEO.

The Committee s members consider the independent directors assessments in reviewing the CEO s total compensation and determining his annual incentive compensation award and equity compensation grants. The Committee may also apply negative discretion, as appropriate and as described below, in determining the final annual incentive awards and equity compensation grants for the other executive officers.

The CEO also discusses with the Committee each executive officer s performance and contribution, with specific attention to progress toward specific strategic, operational and financial goals assigned at the beginning of the year, as well as a review of each officer s strengths and areas of opportunity, potential future assignments, development strategies and role in the Company s management succession plan. The Committee and the Board also may meet with each executive officer during the year to assess performance.

Components of Executive Compensation Program

The Committee believes that a well-balanced executive compensation program must motivate and reward participants to deliver annual financial results while maintaining focus on long-term goals that track financial progress and value creation. These long-term goals include profitability and total stockholder value, typically measured through returns on the Company s common stock. The Committee also recognizes that while stock prices are generally a good indicator of corporate performance over time, external factors that are beyond CVS Caremark s influence may also have a substantive impact on its stock price. Consequently, the Committee believes that both share price and profitability must be measured and rewarded. In order to achieve the desired balance, CVS Caremark s executive compensation program consists of the following: base salary; cash annual incentive; a three-pillar long-term incentive program; SERP; and other benefits, including limited perquisites.

The three-pillar long-term incentive program consisting of stock options, time-vested restricted stock units and the LTIP settled in cash and stock represents the majority of the compensation opportunity and actual rewards for the executive management team. The Committee believes that this approach, complemented by the annual incentive plan, provides an optimal pay mix to achieve the financial objectives of stockholders while extending to executive management competitive cash compensation and a substantial wealth creation opportunity derived from value created through stock price growth.

Cash versus Non-Cash Compensation

The Committee recognizes the competitive need for an appropriate amount of current cash, in base salary, annual incentive and the cash portion of the LTIP. As part of its annual review of the competitiveness and efficacy of the CVS Caremark compensation program, the Committee monitors the relative levels of cash and non-cash compensation to ensure that it places maximum focus on the non-cash components while still paying cash compensation that is at an adequate level.

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Fixed versus Variable Compensation

The annual incentive program, LTIP and service-based equity award program tie a significant amount of variable compensation to the executive s continued employment (subject to the vesting and forfeiture provisions of the stockholder-approved incentive plan and their equity grant agreements) and the performance of CVS Caremark common stock over the vesting and option exercise periods. The performance metrics for the annual incentive and LTIP and the range of opportunity relative to target are consistent for all the NEOs, including the CEO; however, in determining individual awards the Committee considered the appropriate individual target incentive opportunity.

For fiscal year 2009, the percentage of target total direct compensation represented by at-risk pay (short- and long-term incentives) for CVS Caremark s executive officers specified in the Summary Compensation Table was as follows:

Target total direct compensation mix

Base Salary

Base salary is designed to attract and retain high-caliber talent and provide a minimum, fixed level of cash compensation. The Committee annually reviews the base salaries of designated senior executives, including the CEO, and considers increases based on corporate profitability, position responsibility and individual qualifications and performance. This review is a comparison of current salaries against those reported for comparable positions in CVS Caremark s peer group. The Committee also assesses internal salary levels within CVS Caremark, both with respect to the other executive officers and to other senior employees generally. Base salaries may be adjusted at the Committee s discretion, which it generally chooses to exercise when competitive data indicate a significant market lag or in recognition of outstanding individual performance or an increase in the executive s functional responsibilities.

The salaries that CVS Caremark paid to Messrs. Ryan, Rickard, Brennan, Merlo, Sgarro and McLure during fiscal 2009 are shown in the Summary Compensation Table on page 36. In light of the broad economic environment, notwithstanding its commitment to a pay-for-performance philosophy, the Committee exercised its discretion and after careful consideration, chose to delay any increases to base salaries for the executive officers in 2009. In April 2008, Mr. Merlo had received a salary increase to recognize the significant level of responsibility he holds within the company and his outstanding individual performance. Mr. McLure also had received a salary increase in April 2008. None of the other executives received a salary increase in 2008.

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Annual Base Salary Increases 2008-2009

Executive	2008 Salary	2009 Salary	Percentage Increase	Position Relative to Total Peer Group
Thomas M. Ryan, Chairman, President and CEO	$ 1,400,000	$ 1,400,000	0%	Slightly above Median
David B. Rickard, EVP, CFO and Chief Administrative Officer	$ 775,000	$ 775,000	0%	Slightly above 75th (1)
Troyen A. Brennan, EVP and Chief Medical Officer (2)	$ 575,000	$ 575,000		Between 25th and Median
Larry J. Merlo, EVP and President CVS/pharmacy	$ 800,000	$ 800,000	0%	Between Median and 75th
Douglas A. Sgarro, EVP and Chief Legal Officer	$ 570,000	$ 570,000	0%	~ Median
Howard A. McLure, EVP and President Caremark Pharmacy Services(3)	$ 800,000	$ 800,000		Between Median and 75th

(1) Mr. Rickard served as Chief Administrative Officer as well as Chief Financial Officer of the Company; his salary reflects his additional responsibilities.

(2) Mr. Brennan joined the Company in November 2008 and did not receive the full amount of his annual salary for 2008, as reflected in the Summary Compensation Table.

(3) Mr. McLure retired as of November 27, 2009 and did not receive the full amount of his annual salary for 2009, as reflected in the Summary Compensation Table.

Messrs. Ryan and Merlo each have 30 or more years of service with CVS Caremark and during the course of each of their careers, they have demonstrated superior performance and have historically provided strong returns to our shareholders. In recognition of continual strong performance over their long tenures, and in acknowledgement of the Company s larger size relative to its peers, the Committee believes that the base salary for each of Mr. Ryan and Mr. Merlo is appropriately positioned above the median of the total peer group.

Annual Incentive Awards

CVS Caremark maintains an annual incentive plan for its executive officers, the 2007 Incentive Plan (the 2007 Plan), which rewards them based on performance relative to predetermined financial and operational objectives established for the year. The 2007 Plan reflects the Company s pay-for-performance philosophy in which a significant portion of executive compensation is at-risk and linked to both individual and Company performance. NEO plan awards are based on CVS Caremark s actual performance against an operating profit target established at the beginning of the year. The establishment of the financial target, measurement of performance against the target and subsequent determination of awards to participants are implemented in a manner consistent with the requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended (the IRC), to ensure deductibility of all compensation awarded under the 2007 Plan.

The Committee commenced the annual incentive award cycle in March 2009 with its consideration and approval of the financial and operating profit targets under the 2007 Plan. In its assessment of the 2009 target, the Committee reviewed CVS Caremark s past performance against the prior year annual operating profit and customer service and satisfaction targets, the Company s strategic and operational goals for 2009, current and projected external business conditions and the progress represented by the 2009 annual goals against CVS Caremark s long-term financial objectives.

For fiscal 2009, the financial performance target for annual incentives was $6,308 million in operating profit, defined as earnings before interest and taxes. This target represented an increase of $262 million or 4.3% over the prior year. The Committee continues to believe that operating profit is the single most

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appropriate performance metric for the annual incentive plan, as it measures management s success in delivering short-term stockholder value while maintaining momentum toward the achievement of longer-term financial progress. As such, corporate performance against this metric carries an 80% weight in the determination of final award funding. In keeping with prior years practices, when assessing performance in 2009 the Committee reviewed and affirmed specific events, including the development and integration of PBM and retail products and services, the success of the Maintenance Choice program and the integration of Longs Drug Stores Corporation (Longs). The financial impact of legal settlements and other one-time events was excluded from the calculation of actual performance at year-end. Customer service and satisfaction account for the remaining 20% of award funding; half of that (10%) is based on the Retail Customer Service score, which measures customer service across the retail business segment; the other half (10%) is based on an aggregation of client satisfaction metrics from the pharmacy services business segment, covering mail order, specialty pharmacy and account/client services.

The Committee also established a target annual incentive opportunity for each executive officer. This opportunity is expressed as a percentage of base salary and is determined using a variety of relevant factors including but not limited to the competitive landscape established by CVS Caremark s Total Peer Group, the Committee s assessment of the aggressiveness of the level of growth reflected in the 2009 operating profit target and the desired ratios of cash to non-cash and fixed to variable compensation for each executive officer. While the Committee considered the appropriate target incentive opportunity separately for each officer, the performance targets, plan design and range of opportunity relative to target are consistent for the entire group of executive officers, including the CEO.

For all officers, the target annual incentive percentage represents the percentage of base salary that may be paid if CVS Caremark s actual performance equals the operating profit and customer service and satisfaction targets established at the beginning of the year. The Committee uses a formula to establish a funding level based on actual performance relative to the financial and operational targets. The formula determines the percentage of the target incentive to be funded, based on actual profit results, with a minimum, below which no payment will be made, and an established upper limitation.

Annual Incentive Plan Funding

	Operating Profit (80% weighting)		Customer Service and Client Satisfaction [1] (20% weighting)	
	Level of Performance Achieved	Level of Payout of Target	Retail Customer Service (10%)	Client Satisfaction PBM (10%)
Below Minimum	<89% of Target	0%	0%	0%
Threshold	89% of Target	25%	25%	25%
Target	$6,308.0 million	100%	100%	100%
Maximum	³ 6% over Target	200%	100%	100%
Actual	$6,447.1 million	120%	95%	100%

(1) If the minimum level of Operating Profit is achieved, up to an additional 25% of the total funding, based on the eligible population, may be made available if Customer Service and Client Satisfaction goals are achieved. If the minimum level of Operating Profit is not achieved, the Management Incentive Plan does not fund, regardless of Customer Service and Client Satisfaction performance.

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The annual incentive opportunity established for fiscal 2009 for performance at target and the actual award levels are expressed as a percentage of base salary for each NEO and set forth in the following table:

Annual Incentive Plan Opportunities and Awards

Executive Name and Principal 2009 Positions	Annual Incentive Opportunity as a Percentage of Base Salary			Actual Annual Incentive Payout for 2009	
	At Threshold Performance Levels	At Target Performance Levels	At Maximum Performance Levels	Payout as a Percentage of Salary	Payout Amount in Dollars
Thomas M. Ryan, Chairman, President and CEO	50%	200%	400%	162.5%	$ 2,275,000
David B. Rickard, EVP, CFO and Chief Administrative Officer	31%	125%	250%	113.6%	880,000
Troyen A. Brennan, EVP and Chief Medical Officer	28%	110%	220%	87.8%	505,000
Larry J. Merlo, EVP and President CVS/pharmacy	36%	145%	290%	159.4%	1,275,000
Douglas A. Sgarro, EVP and Chief Legal Officer	28%	110%	220%	109.7%	625,000
Howard A. McLure, EVP and President Caremark Pharmacy Services	36%	145%	290%	93.1%	745,000

Once the Committee establishes the level of payout funded by actual performance at year-end, it may then apply negative discretion to adjust the actual award. Its consideration includes its assessment of the executive officer s actual performance and contribution to the achievement of strategic, operational and financial goals, competitive considerations and any other factor it deems appropriate. In no event will the actual award exceed the designated salary percentage indicated by level of performance.

Based on these results, the Committee determined annual cash incentive awards for the executive officers for performance year 2009. As noted above, the disappointing outlook in 2010 for the pharmacy services segment influenced the Committee to exercise its discretion to reduce the annual incentive awards that could otherwise have been earned based solely on 2009 financial and operational performance. The Operating Profit and Customer Service and Client Satisfaction performance resulted in a funding level of 119.4% of target. The maximum annual incentive award that each executive officer is eligible to receive, calculated as a percentage of his salary based on performance, is not an expectation of the actual incentive amount that will be awarded to an executive, but is the highest amount that the Committee may award as performance-based compensation while preserving deductibility under IRC Section 162(m). In the case of the CEO, the Committee reduced his award to 68% of target funding, reflecting his responsibility for the overall performance of the Company. Mr. McLure s incentive was also reduced, to 54% of target funding, reflecting his primary responsibility for the PBM s 2010 outlook. Mr. Merlo, who heads our retail business, and whose business line showed strong results for 2009, received 92% of target funding. For the other NEOs, the Committee considered contribution to the results of the Company on an overall basis as well as performance in other dimensions pertinent to the specific duties and responsibilities of each executive officer. The annual cash incentive awards, as a percent of target funding, for the other NEOs were: Mr. Rickard: 76%; Mr. Brennan: 67%; and Mr. Sgarro: 84%. The annual cash incentive amounts are included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table on page 36. Additional information about the annual incentive awards and opportunities is shown in the Grants of Plan-Based Awards Table on page 39.

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Long-Term Incentive Compensation

The Committee believes strongly in the use of long-term incentive compensation for executives to reinforce four strategic objectives:

- to focus on the importance of returns to stockholders;
- to promote the achievement of long-term performance goals;
- to encourage executive retention; and
- to promote meaningful levels of Company stock ownership by executives.

The Committee has developed a multi-faceted integrated long-term incentive approach to achieve these strategic objectives. The key elements of this approach are an annual stock option grant, which serves to align the interests of executives with those of CVS Caremark s stockholders; an annual restricted stock unit award, which vests only upon continued employment with the Company; and the LTIP, which rewards multi-year financial success and is paid equally in cash and Company common stock. The Committee believes that this structure properly balances both the incentive required to drive achievement of the four strategic objectives noted above as well as the amount and timing of the rewards delivered for successful achievement of those objectives. All three of these long-term incentive compensation elements are delivered under the provisions of the stockholder-approved 1997 Incentive Compensation Plan (1997 ICP).

To determine the overall opportunity and appropriate proportions of the components, the Committee considered a variety of factors, including competitive market positioning against comparable executives in the Total Peer Group, potential economic value realized, timing of vesting and taxation. All of these factors were considered within the context of the challenges presented by the strategic, financial and operating goals established for CVS Caremark by the full Board for both 2009 and the longer-term. In the first quarter of 2009, the Committee reviewed survey data compiled and analyzed by the external compensation consultant on total compensation packages and the value of long-term incentive awards at organizations within the Total Peer Group. In addition, the Committee considered the retentive value of the unvested equity awards held by each executive officer to determine whether additional awards to secure continued employment with the Company were warranted and determined that no special retention awards were needed in 2009. The Committee also considered, except in the case of the award to the CEO, the recommendations of the CEO for each of the executive officers. Based on the results of the external market review and other factors considered by the Committee, the Committee determined to award the equity grants as shown in the Grants of Plan-Based Awards table on page 39.

In January 2009, the Committee reviewed all aspects of the long-term incentive compensation program, including the competitiveness of the target award opportunities, the impact on shares outstanding and the timing and potential economic impact offered by the future vesting of restricted stock unit grants and the vesting and exercise of stock option grants. The Committee determined that the present three-pillared approach, which uses stock options, restricted stock units and the LTIP, is the most appropriate manner by which to deliver long-term compensation in the current economic environment, and will represent the majority of target total direct compensation opportunity for the NEOs. As in the past, each of the three components will be earned independently, i.e., successful achievement of the three-year financial goal established for the LTIP will not trigger or accelerate vesting of the restricted stock unit or stock option grants; similarly, any awards payable under the LTIP will be based solely on results as measured against the relevant performance metric and not affected by any value realized by the restricted stock unit or stock option grants.

Fifty percent (50%) of the LTIP will continue to be paid in cash due to the executives need for current cash to meet tax obligations occasioned on the settlement of restricted stock unit awards, but the target cash portion of the long-term incentive compensation component will not exceed 25% of the total target long-term compensation.

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To determine the target proportions of each long-term compensation component for 2009, the Committee applied the principles described above, incorporated its assessment of competitive positioning and dilutive impact on shares outstanding and determined the following allocations:

Long-Term Incentive Target Mix

The following is an overview of, and the 2009 results for, each of the components of CVS Caremark s long-term incentive compensation.

Long-Term Incentive Plan

The LTIP encourages executives to focus on long-term financial progress with the ultimate objective of enhancing stockholder value, while simultaneously promoting retention by requiring an executive to forfeit his award if employment terminates under certain circumstances before the end of the performance period. The LTIP consists of overlapping three-year performance cycles, with a new cycle commencing each year. The performance metric used in the LTIP is the compound annual growth rate of earnings per share (EPS CAGR). The executives participating in the LTIP are directly accountable to the stockholders for influencing earnings per share. For all cycles, the Committee determines an award opportunity for each participant at the beginning of the cycle. The award opportunity is denominated in dollars and represents the award that will be earned if actual results over the three-year performance period equal the financial goal established by the Committee at the commencement of the period. The actual award will vary based on performance.

LTIP awards are delivered equally in cash and in shares of CVS Caremark common stock. The executive is prohibited from selling or trading the shares for two years following the payment date, which encourages stock ownership and further reinforces an alignment of executives interests with that of stockholders.

The process by which the Committee establishes the LTIP financial goal is similar to that used to determine the annual incentive target. Any permitted exclusions from actual results for purposes of calculating long-term incentive awards generally mirror those established for the annual incentive plan but will also include any specific adjustments pertinent to EPS, as necessary. Once established, the LTIP goal remains constant throughout the three-year performance cycle and is not subject to adjustment or modification. Should an event that qualifies as a permitted exclusion occur, results are adjusted, either up or down, to reflect the impact of that event and documented accordingly at the conclusion of the performance cycle.

The performance goal for the cycle ending December 31, 2009 was an EPS CAGR of 16.7%. After the application of the permitted exclusions to the calculation of performance results (the same as those described above for the annual incentive plan), the actual result for the period was an EPS CAGR of 15.4%, which represents 92.3% of target performance.

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	% of EPS CAGR Target	Payout Level as a % of Target
Minimum	< 81.5%	0%
Threshold	81.5%	25%
Actual	92.3%	68.75%
Target	100%	100%
Maximum	124.1%	200%

All of the executive officers specified in the Summary Compensation Table participated for the full duration of the LTIP cycle except for Mr. Brennan who did not participate because he did not join the company until November 2008. Although he retired on November 27, 2009, Mr. McLure was eligible to participate for the full three-year performance cycle through December 31, 2009. Potential payouts (as percentages of base salary) and actual payouts relative to actual performance (as a percentage of base salary and in dollar amounts) were as follows:

LTIP Opportunities and Awards

Executive Name	Minimum Award (% of target)	Threshold Award (% of target)	Target Award (% of target)	Maximum Award (% of target)	Actual Cash Award ($) (% of salary)	Actual Stock Award (# of shares) (% of salary)
					$ 1,237,526	36,407
Thomas M. Ryan	0%	25%	100%	200%	88%	88%
					343,759	10,113
David B. Rickard	0%	25%	100%	200%	44%	44%
Troyen A. Brennan [1]						
					421,120	12,388
Larry J. Merlo	0%	25%	100%	200%	53%	53%
					309,407	9,101
Douglas A. Sgarro	0%	25%	100%	200%	54%	54%
					421,120	12,388
Howard A. McLure	0%	25%	100%	200%	53%	53%

(1) As noted above, Mr. Brennan was not a participant because he did not join the Company until November 2008.

In accordance with new SEC rules, the cash portion of LTIP Cycle VI (for performance years 2007 2009), which is equal to 50% of the total award earned, is reported for each participating NEO in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table for 2009 on page 36. The earned stock portion of the award for Cycle VI for each participating named executive officer is also included in the Option Exercises and Stock Vested Table on page 42. Additionally, reported in the Stock Awards column of the Summary Compensation Table for each NEO for 2009 is the value of the stock portion of LTIP Cycle VIII (for performance years 2009 2011), assuming that the target level of performance will be achieved.

In 2008 and 2009, the Committee has established LTIP cycles with EPS CAGR goals for the three-year periods ending December 31, 2010 and December 31, 2011, respectively. The Committee and management believe that disclosure of an EPS growth target over a three-year prospective period would result in competitive harm to the Company, and, accordingly, have not disclosed the specific targets for these cycles.

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The Committee believes that the specific performance targets for these cycles is at least as challenging as the performance targets established for prior LTIP cycles and that the award opportunities established for these cycles have been calibrated accordingly.

Stock Option and Restricted Stock Unit Grants

In 2009, the Committee continued its general policy of making annual stock option grants to executives and other key employees. As shown in the preceding Long-Term Incentive Target Mix chart, stock options comprise a major component of the Company s long-term incentive program for senior executives.

All CVS Caremark stock options are nonqualified stock options granted and administered under the provisions of the 1997 ICP and the 2004 Caremark Rx, Inc. Stock Incentive Plan. Since 2004, the contractual term of all CVS Caremark options has been fixed at seven years. Options granted to executives typically vest in three equal installments on each of the first, second and third anniversaries of the grant. The notes to the Outstanding Equity Awards table on page 40 summarize the vesting of the equity awards held by each NEO at year end. Authority to grant stock options and any other form of equity compensation to CVS Caremark executives and employees is limited to the Committee or a designated individual member of the Committee; no member of management or any other Company employee may authorize any equity compensation or amend the terms and conditions of any previous equity grants. The Committee has consistently approved annual equity grants, including stock options, in the first quarter of each year and has made such awards without regard to the timing of the release of the Company s financial results for the year or the timing of the release of any other material non-public information.

In March 2007, the Board adopted a Stock Option Policy providing that any stock option granted to a recipient will have an exercise price equal to the closing price of the Company s underlying stock on the date that the option is granted (the grant date). The grant date in a given fiscal year will be established in advance of the grant and will generally be based on the Company s customary and normal grant cycle. When a grant to an existing employee is made outside the annual grant cycle, the grant date will not be coordinated with the release of material non-public information that has been or will be disclosed within thirty days on either side of any such grant date. When an executive is hired after a fiscal year has begun, the grant date will be the later of the hire date and the date the Committee approves the award.

Total long-term compensation opportunity for each executive officer, including the equity components, is considered and determined early in the year as part of the overall process of establishing performance goals and the correlating compensation framework to support the achievement of those goals. This long-term compensation opportunity is expressed as a target value with a minimum and maximum range, denominated in dollars, for each of the three components of long-term pay. At its January meeting, the Committee reviews current competitive market information supplied by the external compensation consultant and considers the Total Peer Group performance results to date. In February of each year, CVS Caremark releases its prior year earnings and financial statements; at that time, the Committee assesses the Company s performance against short- and long-term goals. The CEO presents to the Committee his recommendations for stock option and restricted stock unit awards for the other executive officers, outlining his assessment of each officer s performance, contribution and anticipated future role within the Company. In addition, the Committee members consult with other independent directors to determine the appropriate award for the CEO within the competitive range established earlier.

In accordance with the sequence described above, at its meeting on February 18, 2009, the Committee took a number of actions:

n It approved the value of annual equity awards for each of the executive officers, including the CEO. Awards for each of the executive officers, with the exception of Mr. McLure, were at or above target levels, reflecting achievement of the Company s short-term strategic goals and significant progress toward long-term objectives.

n The grant date for annual stock option and restricted stock unit awards was set as the first business day of the Company s second quarter, which was April 1, 2009.

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- The Committee approved the proportion of option value to restricted stock unit value within each equity award. For Messrs. Ryan, Merlo and McLure, the proportion of option value and restricted stock unit value was equal. For Messrs. Rickard, Brennan and Sgarro, the proportion of stock option value to restricted stock unit value was set at three to one.

The full grant date fair value of the stock options and restricted stock units granted to each named executive officer during fiscal 2009 and prior years is shown in the Summary Compensation Table on page 36. Additional information about the 2009 awards, including stock option exercise price, the number of shares subject to each award and the grant date fair value, is shown in the Grants of Plan-Based Awards Table on page 39.

CEO Compensation

The Company s performance for 2009 compared to the Total Peer Group s performance demonstrates that our CEO navigated successfully through a challenging economic environment and effectively managed expenses. He oversaw achievement of financial performance that was consistently better than the majority of the companies in our Total Peer Group and the Company ranked first or second of companies in our Total Peer Group in revenue growth for the 1-year and the 3-year performance periods. In addition, our CEO was instrumental in guiding the integration of pharmacy services and retail segment products and services, including the success of the Maintenance Choice program, and in the integration of Longs. His compensation reflects his overall performance, balanced by the disappointing short-term outlook for the PBM in 2010. Based on these results, the Committee made the decision to award the following compensation to the CEO:

CEO Pay

Type	Target	Actual
Base Salary	$ 1,400,000	$ 1,400,000
Annual Cash Incentive	2,800,000	2,275,000
LTIP Cycle VI (2007-2009)	3,600,000	2,475,000
Stock Option Grant	3,750,000	4,625,000
Restricted Stock Unit Grant	3,750,000	4,625,007
Total Direct Compensation	**$ 15,300,000**	**$ 15,400,007**

This table reports the total value of the LTIP award for the cycle ending December 31, 2009. The cash portion is reported in the 2009 row of the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table on page 36 and the stock portion is included in the Option Exercises and Stock Vested table on page 42.

Supplemental Executive Retirement Plan

CVS Caremark has established and maintains the unfunded Supplemental Retirement Plan I for Select Senior Management of the Company (the SERP), designed to supplement the retirement benefits of selected executive employees. Of the NEOs currently with the Company, Messrs. Ryan, Merlo and Sgarro participate in the SERP. Mr. Rickard, who participated in the SERP, retired as of December 31, 2009; Mr. Brennan does not participate in the SERP. Caremark established and CVS Caremark has maintained an unfunded Special Executive Retirement Plan (the SRP) for selected executives. Mr. McLure, who retired from the Company as of November 27, 2009, participated in the SRP. An overview of the SERP and SRP design and the actuarial present value of the accumulated pension benefits of Messrs. Ryan, Rickard, Merlo, Sgarro and McLure as of December 31, 2009 are shown in the Pension Benefits Table on page 44.

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The Change in Pension Value column of the Summary Compensation Table reflects a significant year-over-year increase for Mr. Ryan. This is the result of a one-time adjustment of approximately $7.6 million in order to implement a provision of the retention agreement entered into between Mr. Ryan and the Company in 2005. Under the SERP, credited service is capped at 30 years. Mr. Ryan completed 30 years with the Company in 2004. As part of the retention agreement, the Company agreed to lift the cap, provided Mr. Ryan continued his employment with the Company through at least December 31, 2009. Mr. Ryan met that obligation and the Change in Pension Value column reflects the increase attributable to five additional years of credited service that he earned for his five years of actual service from 2005 through 2009. The balance of the year-over-year difference is largely attributable to Mr. Ryan s election to receive his future retirement benefit in the form of a lump sum payment and changes in the assumed discount rate.

The SERP and the SRP do not allow new members, and the Committee has adopted a policy restricting participation in the SERP and SRP under the current benefit formulae to those executives participating in those plans at the time the policy was adopted.

Other Benefits

The Company maintains medical and dental insurance, life insurance and short- and long-term disability insurance programs for all of its employees, as well as customary vacation, leave of absence and other similar policies. Executive officers are eligible to participate in these programs on the same basis and with the same level of financial subsidy by CVS Caremark as the rest of the Company s salaried employees.

Similarly, executive officers (except for Mr. McLure) may participate in the CVS Future Fund, which is the Company s qualified defined contribution, or 401(k), plan. An eligible CVS Caremark employee may defer up to 85% of his or her total eligible compensation, defined as salary plus annual incentive, to a maximum defined by the Internal Revenue Service (IRS); in 2009, that maximum was $16,500. After the first full year of employment, CVS Caremark will match the employee s deferral dollar-for-dollar up to a maximum equaling 5% of total eligible compensation. CVS Caremark matching cash contributions into Future Fund for the NEOs who participated are a component of the All Other Compensation Table on page 37. Mr. McLure was eligible to participate in Care$ave, the Caremark qualified defined contribution, or 401(k), plan, which matches employee deferrals dollar-for-dollar up to 3%, and 50% of the next 2% of deferrals equaling 4% of total eligible compensation. Company contributions for Mr. McLure are also reported in the All Other Compensation Table on page 37.

The Company offers other benefits which are available to eligible employees, including executive officers, as follows:

Employee Stock Purchase Plan

CVS Caremark encourages all employees, including executive officers, to participate in stock ownership through the Company s Employee Stock Purchase Plan (the ESPP), which complies with IRC Section 423. The ESPP gives employees the opportunity to purchase shares of the Company s common stock with up to 15% of their base salary, subject to IRS limits. The Committee and Company management believe that the ESPP encourages all employees to increase their ownership in the Company and further aligns their economic interests with those of the Company s stockholders.

Deferred Compensation Plans and Deferred Stock Plan

Eligible executive officers may choose to defer compensation once earned and vested into the CVS Caremark Deferred Compensation Plan (the DCP) and the CVS Caremark Deferred Stock Compensation Plan (the DSP) (if eligible), which are available to all U.S. employees who meet the IRC definition of a highly compensated employee. The plans are intended to provide retirement savings in a tax-efficient manner and enhance focus on stock ownership. The DCP offers a variety of investment crediting choices, none of which represents an above-market return. Each year, the amount of a participant s deferred compensation account increases or decreases based on the appreciation and/or depreciation in the value of

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the investment crediting alternatives selected by the participant. The DCP also offers a match of up to a 5% on eligible compensation deferred into the Plan, which includes base salary and annual cash incentive awards, offset by any match provided under the qualified defined contribution plans. Under the DSP, which permits deferrals of annual restricted stock awards, restricted stock units awarded under the LTIP and limited other restricted stock unit awards, deferred units fluctuate in value based on the performance of CVS Caremark stock, further enhancing the Company s focus on stock ownership. The individual contributions of Messrs. Ryan, Rickard, Merlo and Sgarro during fiscal 2009 to the DCP and the DSP, including earnings on those contributions, any distributions during 2009 and total account balances as of the end of 2009, are shown in the Nonqualified Deferred Compensation Table on page 46.

Perquisites and Other Personal Benefits

Except for the few items discussed in this section, CVS Caremark generally does not provide perquisites or other personal benefits for its executive officers. The Committee believes this policy is consistent with the Company s philosophy to maximize the amount of at-risk pay of its executive officers. CVS Caremark also does not provide any additional cash compensation to any of the executive officers to reimburse them for any income tax liability (with the exception of certain circumstances following a change in control) as a result of the receipt of any cash or equity compensation, benefit or perquisite. Additionally, the Committee recently adopted a policy restricting the availability of tax gross-ups except to those executive officers who were contractually entitled to receive them at the time the policy was adopted (three of the NEOs are contractually entitled to receive tax gross-ups, but only on excise tax benefits received in the event of a change in control).

CVS Caremark provides an allowance to each of the executive officers to cover the cost of a Company-provided financial planner to assist with personal financial and estate planning. These amounts are reported in detail in the All Other Compensation Table on page 37; for 2009, they ranged from $2,873 to $15,000. The Company believes it is important to provide to our executives the professional expertise required to ensure they maximize the efficiencies of the Company s compensation and benefit programs and are able to devote their full attention to the management of the Company. The Company maintains corporate aircraft that may be used by Company employees to conduct Company business. Pursuant to an executive security program established by the Board upon the Committee s recommendation, the CEO is required to use the Company s aircraft for all travel needs, including personal travel, in order to minimize and more efficiently use his travel time, protect the confidentiality of his travel and the Company s business, and enhance his personal security. Certain other NEOs were also permitted to use the Company s corporate aircraft for personal travel on a very limited basis during fiscal 2009. CVS Caremark also requires that the CEO use a Company-provided car and driver for business-related travel and very limited personal travel. In addition, CVS Caremark provides an allowance to the executive officers to cover the costs of the installation and maintenance of home security monitoring systems. While the Committee believes these security costs are business expenses, disclosure of these costs as personal benefits is required. The value of these items is treated as income taxable to the executives. The Company provides no reimbursement for these costs nor does it pay the taxes or any other expenses associated with these costs on behalf of the executives.

The aggregate incremental cost to the Company of providing these personal benefits to Messrs. Ryan, Rickard, Brennan, Merlo, Sgarro and McLure during fiscal 2009 is shown in the Summary Compensation Table on page 36.

Other Compensation Policies

Stock Ownership Guidelines

The Committee has long been mindful of the importance of equity ownership by directors and executive management as an effective link to stockholders and, as such, the Board maintains stock ownership guidelines for all directors and members of the Company s Business Planning Committee (BPC) and requires that directors and BPC members achieve compliance with the ownership requirements

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within five years of becoming a director or BPC member. BPC members must maintain ownership levels as set forth in the table below. Shares included in the calculation to assess compliance with the guidelines include shares owned outright, unvested restricted stock units, shares held in the DSP and shares purchased through the ESPP. Unexercised stock options do not count toward satisfying the guidelines. The Committee believes that these requirements emphasize its philosophy of equity ownership for the Board and executive management, which in turn reinforces alignment with stockholder interests. To further reinforce this commitment, the Committee annually reviews the policy and compliance by directors and executives.

Name	Multiple of Salary Required	In Compliance
Thomas M. Ryan	5x	Yes
David B. Rickard	3x	Yes
Troyen A. Brennan	3x	2.7, Yes (1)
Larry J. Merlo	3x	Yes
Douglas A. Sgarro	3x	Yes
Howard A. McLure	3x	Yes

(1) Mr. Brennan was hired in November 2008 and, under the Guidelines, has five years in which to achieve the required ownership levels.

Securities Trades by Company Personnel

The Committee and the executive management of the Company take very seriously their responsibilities and obligations to exhibit the highest standards of behavior relative to selling and trading Company stock. All transactions in Company stock contemplated by any officer must be pre-cleared by either the CLO or the General Counsel. Executive officers are prohibited from trading in any securities of the Company during a period around the release of the Company s financial results for each quarter and may be required to refrain from trading during other designated periods when significant developments or announcements are anticipated. Of course, even during periods when trading is otherwise allowed, no director or employee is permitted to trade in the securities of the Company if he or she possesses material non-public information. In addition, it is the Company s policy that directors and executive officers may not engage in any of the following activities with respect to securities of the Company:

- Trading in Company securities on a short-term basis (Company stock purchased in the open market must be held for at least six months);
- Purchasing Company stock on margin;
- Engaging in short sales; or
- Buying or selling puts, calls or options (other than stock options granted by the Company).

Recoupment

The Committee recognizes that incentive compensation provisions should be consistent with the Company s goals of ensuring financial statement accuracy and encouraging ethical behavior. Accordingly, at its March 4, and November 4, 2009 meetings, the Committee approved recoupment provisions for all annual and long-term incentive awards granted to executive officers, effective with performance cycles beginning on January 1, 2009 and thereafter. These provisions apply in cases where financial or operational results used to determine an award amount are meaningfully altered based on fraud or material financial misconduct (collectively, Misconduct), as determined by the Board, and apply to any employee determined to have been involved in the Misconduct.

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The recoupment policy applies to Misconduct committed during the performance period and allows for the discovery of Misconduct during the performance period or the three-year period following the performance period. The policy allows for the recoupment of the entire award, rather than only excess amounts generated by the Misconduct, subject to the determination of the Board, and the recoupment provisions may apply even where there is no financial restatement. The Committee believes that the penalties imposed for Misconduct under this policy are consistent with the goals of ensuring financial statement accuracy and encouraging ethical behavior. Each of these provisions has been incorporated into the Company s incentive programs and award agreements and are designed to provide the Company with the legal right and means to recover amounts paid or gains realized from incentive and equity awards in cases of Misconduct.

Risk Assessment

The Committee oversaw the performance of a risk assessment of the Company s executive compensation programs to ascertain any potential material risks that may be created by the compensation program. Because performance-based incenti