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AON CORP
Form 11-K
June 29, 2005

June 28, 2005

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

RE: REPORT ON FORM 11-K FOR THE AON SAVINGS PLAN
REGISTRANT: AON CORPORATION
COMMISSION FILE NO.: 1-7933

Gentlemen and Ladies:

Enclosed with this EDGAR transmission is the above referenced Form 11-K for the Aon Savings Plan.

Please contact the undersigned at 312/381-3165 if you have any questions.

Very truly yours,

/S/ BETH E. BURK

Beth E. Burk
Associate General Counsel - Benefits

BEB/rjr
Enclosures

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 11-K

X Annual Report Pursuant to Section 15(d) of the Securities
Exchange Act of 1934

For the fiscal year ended December 31, 2004

OR

_____ Transition Report Pursuant to Section 15(d) of the
Securities Exchange Act of 1934

A. Full title of the plan and the address of the plan,
if different from the issuer named below:

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Aon Savings Plan

- B. Name of the issuer of the securities held pursuant to the plan and the address of its principal executive office:

Aon Corporation
200 E. Randolph Drive
Chicago, Illinois 60601

S I G N A T U R E S

Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan, by the Plan Administrator, the Committee, has caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized, in the County of Cook and the State of Illinois on the 28th day of June, 2005.

AON SAVINGS PLAN

BY THE COMMITTEE

/s/ THOMAS STACHURA

Thomas Stachura

/s/ JOHN A. RESCHKE

John A. Reschke

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

AON SAVINGS PLAN

Years Ended December 31, 2004 and 2003

With Report of Independent Registered

Public Accounting Firm

Employer Identification Number 36-3051915

Plan # 020

AON SAVINGS PLAN

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

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Years ended December 31, 2004 and 2003

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Report of Independent Registered Public Accounting Firm

The Participants and Administrative Committee
Aon Savings Plan

We have audited the accompanying statements of assets available for benefits of the Aon Savings Plan as of December 31, 2004 and 2003, and the related statements of changes in assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets available for benefits of the Plan at December 31, 2004 and 2003, and the changes in its assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

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Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2004, is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Chicago, Illinois
June 6, 2005

Ernst & Young LLP

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Employer Plan Identif
Plan # 020

AON SAVINGS PLAN
STATEMENT OF ASSETS AVAILABLE FOR BENEFITS

(in thousands)

2004

ASSETS:

Investments, at Fair Value:

Aon Corporation Common Stock	\$	258,761
Brokerage Accounts-Other Common and Preferred Stocks and Mutual Funds		9,215
Investments held in Mutual Funds:		
State Street Global Advisors Short Term Investment Fund		254,613
AIM Liquid Asset Fund		-
Vanguard REIT Index Fund		74,396
Vanguard Admiral Intermediate Term Treasury Fund		73,341
Vanguard Capital Opportunities Fund		60,849
INVESCO Dynamics Fund		-
Dodge & Cox Common Stock Fund		174,806
PIMCO Total Return Fund		49,788
Montag & Caldwell Growth Fund		23,285
Managers Special Equity Fund		53,183
Templeton Emerging Markets Fund		-
American Funds Euro-Pacific Growth Fund		77,495
Investments held in Collective Trusts:		
Ned Davis Research Asset Allocation Strategy Fund		138,855

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State Street Global Advisors S&P 500 Strategy Fund	255,803
INVESCO Asset Allocation Fund	-
INVESCO 500 Index Fund	-
INVESCO International Equity Fund	-
Short-Term Investment Funds	1,943
Participant Loans	23,335

	1,529,668
CONTRIBUTIONS RECEIVABLE:	
Participant Contribution Receivable	2,517
Company Contribution Receivable	9,219

	11,736
ASSETS AVAILABLE FOR BENEFITS	
	\$ 1,541,404
	=====

See notes to financial statements.

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AON SAVINGS PLAN
STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR BENEFITS

(in thousands)

		2004

NET INVESTMENT INCOME		
Interest Income	\$	3,574
Net Appreciation in Fair Value of Investments		89,855
Aon Corporation Dividends		7,145
Other Dividends		21,339
Management and Administrative Fees		(1,580)

TOTAL NET INVESTMENT INCOME		120,333
CONTRIBUTIONS		

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Company	42,707
Participants	98,380
Rollovers	5,573

TOTAL CONTRIBUTIONS	146,660
OTHER CHANGES	
Benefit Payments	(144,326)
Plan Mergers	-

TOTAL OTHER CHANGES	(144,326)

NET INCREASE IN ASSETS AVAILABLE FOR BENEFITS	122,667
ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	1,418,737

ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	\$ 1,541,404
=====	

See notes to financial statements.

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Employer Plan Identification # 36-3051915
Plan # 020

AON SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2004 and 2003

1. DESCRIPTION OF PLAN

GENERAL

The Aon Savings Plan (the Plan) was authorized by the Board of Directors of Aon Corporation (the Company or Plan Sponsor). It is a defined contribution plan with a salary deferral feature and an employee stock ownership (ESOP) feature. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Effective January 1, 2003, the ASI Solutions, Inc. 401(k) Retirement Plan and the McLagan Partners Inc. 401(k) Profit Sharing Plan were merged into the Plan and as a result, assets approximating \$6.1 million were transferred to the Plan. Effective January 1, 2004, the Aon Retirement Account was established as a separate account under the Aon Savings Plan. The Aon Retirement Account is intended for employees hired after January 1, 2004 who are not eligible for

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participation in the Aon Pension Plan.

The assets of the ESOP portion of the Plan are invested primarily in common stock of the Company. Additionally, certain assets are invested by the Trustees as deemed advisable in order for the Plan to meet its cash flow needs.

Effective January 1, 2003, the Aon Common Stock Fund and the ESOP Allocated Fund were merged into a single fund called the Aon Common Stock ESOP Fund. Participants have the option to reinvest dividends in additional shares of Aon common stock in the Plan or receive dividends in cash. Additionally, effective January 1, 2003, participants are allowed to immediately diversify any Company matching contributions allocated to the Aon Common Stock ESOP Fund.

The following description of the Plan provides only general information. Participants of the Plan should refer to the Summary Plan Description for a more complete description of the Plan.

ELIGIBILITY AND PARTICIPATION

Employees other than field sales agents or employees scheduled to work less than 20 hours per week are immediately eligible to participate. Field sales agents and employees scheduled to work less than 20 hours per week are eligible to participate after completing one year of service. Participants must complete one year of service to be eligible for Company matching contributions.

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1. DESCRIPTION OF PLAN (CONTINUED)

CONTRIBUTIONS

PARTICIPANT - Participant contributions are made by means of regular payroll deductions. Non-highly compensated participants, as defined by the Internal Revenue Code (IRC), may elect to make contributions between 1% and 25% (16% prior to January 1, 2004) of their compensation, as defined by the Plan. Highly compensated participants, as defined by the IRC, may elect to make contributions between 1% and 10% (8% prior to January 1, 2004) of their compensation, as defined by the Plan. Participant contributions are limited to amounts allowed by the Internal Revenue Service (IRS). Accordingly, the maximum participant contribution was \$13,000 in 2004 and \$12,000 in 2003. In addition to regular participant contributions, catch-up contributions of up to \$3,000 for 2004 and \$2,000 for 2003 were allowed for any participants who were age 50 or older during the Plan year.

The Aon Retirement Account is funded entirely by Company contributions. No employee contributions are allowed.

COMPANY - For 2004, the Company contributes an amount equal to 50% of the first 6% of a participant's compensation that a participant contributes to the Plan (75% of a participant's compensation up to 4% for employees of Aon Human Capital Services, LLC and 100% of the first 3% for employees of Human Resources Outsourcing Group). This contribution will be made concurrent with participant contributions. Employees of the Human Resources Outsourcing Group receive a further contribution equal to 75% of the next 3% of compensation contributed to the Plan. The Company may make a further discretionary contribution

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based on employee contributions of up to 6%. The amount and allocation of this contribution is determined by the Aon Board of Directors.

For 2003, the Company contributed an amount equal to 100% of the first 3% of a participant's compensation that a participant contributed to the Plan (75% of a participant's compensation up to 4% for employees of Aon Human Capital Services, LLC). The Company made a further contribution to the ESOP portion of the Plan equal to 75% (50% for field sales agents) of the next 3% of a participant's compensation that is contributed to the Plan. In 2003, the ESOP contribution was made in cash. Employees of Aon Human Capital Services, LLC are not eligible for the ESOP contribution. The Plan requires that a participant be employed for at least one year and be actively employed as of the last day of the Plan year in order to receive a Company contribution.

INVESTMENT OPTIONS

Contributions to the Plan may be invested in any of the various investment alternatives offered by the Plan in any whole percentages. Additionally, a Self-Managed Account is offered whereby participants can invest their self-directed contributions in various stock, mutual funds and other investments.

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1. DESCRIPTION OF PLAN (CONTINUED)

PARTICIPANT ACCOUNTS

Each participant's account is credited with the participant's contribution and allocations of a) the Company's contributions and b) Plan earnings (losses). The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

VESTING

For the ESOP portion of the Plan, a participant vests in 20% increments per year and becomes 100% vested after completion of five years of plan service.

For the non-ESOP portion of the Plan, participants are fully vested in their contributions plus actual earnings thereon. Participants become 100% vested in the remainder of their account balance after five years of plan service, according to a graded schedule.

Participants will become fully vested in the Aon Retirement Account after five years of service.

The total amount of forfeitures allocated to participants was \$1,074,000 for 2003. For 2004, \$1,538,000 of forfeitures were used to provide partial funding for Company contributions and to pay other expenses of the Plan.

BENEFIT PAYMENTS

For the ESOP portion of the Plan, a participant's entire account shall be paid to the participant or designated beneficiary in a lump sum upon normal retirement, permanent disability or death. The participant may elect payment in the form of Company common stock or cash.

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For the non-ESOP portion, on termination of service, a participant shall be paid a lump sum amount equal to the value of his or her account. The participant will receive payment in the form of cash only.

PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their accounts.

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1. DESCRIPTION OF PLAN (CONTINUED)

PARTICIPANT LOANS

Under the loan provision of the Plan, each participant is permitted one loan in a twelve month period and the outstanding balance of all loans made to a participant may not exceed the lesser of \$50,000 or 50% of the vested portion of the participant's account, excluding the ESOP portion of the account. The interest rate for each loan is equal to 1% plus the prime rate as quoted in The Wall Street Journal for the last day of the month preceding the loan request. Loans are made for a period of up to five years, except for residential loans that have a fixed repayment period of up to fifteen years.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of the Plan are prepared on an accrual basis in accordance with U.S. generally accepted accounting principles.

INVESTMENT VALUATION AND INCOME RECOGNITION

Investments are carried at fair value, which for marketable securities is based on quotations obtained from national securities exchanges and various other sources. Participant loans are valued at their outstanding balances, which approximate fair value.

Interest income is recorded as earned. Dividend income is recorded on the ex-dividend date. Realized gains or losses on investments are the difference between the proceeds received and the cost of investments sold as determined on a first-in, first-out basis. The change in the difference between fair value and the cost of investments is reported as unrealized appreciation or depreciation of investments.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Plan, including expenses of the Trustees, are paid from the Plan assets, except to the extent that the Company, at its discretion, may decide to pay such expenses. The Company did not pay any Plan expenses in 2004 or 2003.

USE OF ESTIMATES

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make

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estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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3. INVESTMENTS

Effective October 1, 2004, State Street Bank and Trust Company has been appointed Trustee and custodian for all Plan assets. Prior to this date, Institutional Trust Company (ITC) was custodian of the Plan assets and Trustee for all Plan assets except the Aon Common Stock ESOP shares and the self-managed brokerage accounts. For the Aon Common Stock ESOP shares and self-managed brokerage accounts, State Street Bank and Trust Company was the Trustee. The Trustees are named fiduciaries under ERISA. As used herein, Trustee refers to ITC and State Street Bank and Trust Company individually and collectively.

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3. INVESTMENTS (CONTINUED)

During 2004 and 2003 the Plan's investments (including investments bought, sold and held during the year) appreciated (depreciated) in fair value as follows (in thousands):

	2004		December 31, 2003
	Fair Value	Net Realized and Unrealized Appreciation (Depreciation) in Fair Value of Investments During the Year	Fair Value
Investments, at fair value:			
Aon Corporation Common Stock	\$ 258,761	\$ 606	\$ 302,000
Brokerage Accounts-Other			
Common and Preferred Stocks and Mutual Funds	9,215	(38)	8,000
Investments in Mutual Funds:			
State Street Global Advisors Short Term Investment Fund	254,613	-	-
AIM Liquid Asset Fund	-	-	249,000
Vanguard REIT Index Fund	74,396	13,335	53,000
Vanguard Capital Opportunities Fund	60,849	6,851	-
INVESCO Dynamics Fund	-	803	31,000
Dodge & Cox Common Stock Fund	174,806	19,224	105,000
PIMCO Total Return Fund	49,788	(199)	40,000
Montag & Caldwell Growth Fund	23,285	785	15,000
Managers Special Equity Fund	53,183	6,521	35,000
Templeton Emerging Markets			

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Fund	-	(55)	16,
American Euro-Pacific Growth Fund	77,495	9,692	
Vanguard Admiral Intermediate Term Treasury Fund	73,341	(1,009)	76,
Investments in Collective Trusts:			
State Street Asset Allocation Fund	-	(1,901)	
Ned Davis Research Asset Allocation Fund	138,855	7,739	
State Street Global Advisors S&P 500 Strategy Fund	255,803	21,150	
INVESCO Asset Allocation Fund	-	1,653	136,
INVESCO 500 Index Fund	-	4,220	229,
INVESCO International Equity Fund	-	478	40,
Short-Term Investment Funds	1,943	-	2,
Total	\$ 1,506,333	\$ 89,855	\$ 1,343,

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3. INVESTMENTS (CONTINUED)

The fair value of individual investments that represent 5% or more of the Plan's assets is as follows (in thousands):

	December 31	
	2004	2003
	----	----
Aon Corporation, Common Stock	\$ 258,761	\$ 302,540
Investments in Mutual Funds:		
State Street Global Advisors Short Term Investment Fund	254,613	-
AIM Liquid Asset Fund	-	249,360
Dodge & Cox Common Stock Fund	174,806	105,230
Vanguard Admiral Intermediate Term Treasury Fund	*	76,522
American Euro-Pacific Growth Fund	77,495	-
Investments in Collective Trusts:		
Ned Davis Research Asset Allocation Strategy Fund	138,855	-
State Street Global Advisors S&P 500 Strategy Fund	255,803	-
INVESCO 500 Index Fund	-	229,043
INVESCO Asset Allocation Fund	-	136,138

*Below 5% threshold.

4. INCOME TAX STATUS

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The Plan has received a determination letter from the IRS dated October 1, 2003, stating that the Plan is qualified under section 401(a) of the IRC and, therefore, the related trust is exempt from taxation. Subsequent to this issuance of the determination letter, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualification. The Plan Administrative Committee believes the Plan is being operated in compliance with the applicable requirements of the IRC and, therefore, believes that the Plan, as amended, is qualified and the related trust is tax exempt.

5. RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of assets available for benefits.

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6. SUBSEQUENT EVENTS

Effective in 2005, distributions to participants whose balances are between \$1,000 and \$5,000 and that are made without their consent must be rolled over into an IRA account.

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AON SAVINGS PLAN
Schedule H, Line 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)
December 31, 2004

Identity of Issuer	Number of Shares Principal Amount
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AON COMMON STOCK ESOP FUND

COMMON STOCK

Aon Corporation Common Stock, 1.00 par*	10,884,365
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SHORT TERM INVESTMENT FUND

MUTUAL FUND

Investments held in the State Street Global

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Advisor Short Term Investment Fund*

254,613,324

TOTAL RETURN FUND

COLLECTIVE TRUST

Investments held in the Ned Davis Research
Asset Allocation Fund

11,161,666

COMMON STOCK INDEX FUND

COLLECTIVE TRUST

Investments held in the State Street Global
Advisors S&P 500 Strategy Fund*

1,156,515

REAL ESTATE SECURITIES FUND

MUTUAL FUND

Investments held in the Vanguard
REIT Index Fund

5,999,641

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AON SAVINGS PLAN
Schedule H, Line 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)
December 31, 2004
(continued)

Identity of Issuer	Number of Shares Principal Amount
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VANGUARD CAPITAL OPPORTUNITIES FUND

MUTUAL FUND

Investments held in the Vanguard Capital
Opportunities Fund

856,070

DODGE & COX COMMON STOCK FUND

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MUTUAL FUND

Investments held in the Dodge & Cox Common Stock Fund	1,342,387
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PIMCO TOTAL RETURN FUND

MUTUAL FUND

Investments held in the PIMCO Total Return Fund	4,666,161
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MONTAG & CALDWELL GROWTH FUND

MUTUAL FUND

Investments held in the Montag & Caldwell Growth Fund	1,024,883
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MANAGERS SPECIAL EQUITY FUND

MUTUAL FUND

Investments held in the Managers Special Equity Fund	588,244
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Employer Identifi
Plan # 020

AON SAVINGS PLAN
Schedule H, Line 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)
December 31, 2004
(continued)

Identity of Issuer	Number of Shares Principal Amount
--------------------	--------------------------------------

VANGUARD ADMIRAL INTERMEDIATE TERM

TREASURY FUND

MUTUAL FUND

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Investments held in the Vanguard Admiral Intermediate Term Treasury Fund	6,513,415
AMERICAN EURO-PACIFIC GROWTH FUND -----	
MUTUAL FUND	
Investments held in the American Euro- Pacific Growth Fund	2,175,591
OTHER COMMON AND PREFERRED STOCKS AND MUTUAL FUNDS (SELF-MANAGED FUNDS) -----	
BROKERAGE ACCOUNTS	
Investments held in other common and preferred stocks and mutual funds and other investments	9,214,966
Investments held in Aon Corporation Common Stock*	3,426
Investment held in the State Street Short-Term Investment Fund*	1,943,410
PARTICIPANT LOANS (5.00% - 11.0%)	-

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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-27894) pertaining to the Aon Savings Plan of Aon Corporation of our report dated June 6, 2005, with respect to the financial statements and schedule of the Aon Savings Plan included in this annual report (Form 11-K) for the year ended December 31, 2004.

Chicago, Illinois
June 27, 2005

Ernst & Young LLP

