RAYTHEON CO/
Form 11-K
June 25, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK

REPURCHASE SAVINGS AND SIMILAR PLANS

PURSUANT TO SECTION 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

x **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2008.

¨ **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number 1-13699

RAYTHEON SAVINGS AND INVESTMENT PLAN

(Full title of the plan)

RAYTHEON COMPANY

(Name of issuer of the securities held pursuant to the plan)

870 WINTER STREET, WALTHAM, MASSACHUSETTS 02451

(Address of issuer s principal executive offices)

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Raytheon Savings and Investment Plan

Table of Contents to Financial Statements and Supplemental Schedule

December 31, 2008

Other supplemental schedules required by Section 2520.103-10 of the Department of Labor s Rules and Regulations and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

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Raytheon Savings and

Investment Plan

Financial Statements and Supplemental Schedule

To Accompany 2008 Form 5500

Annual Report of Employee Benefit Plan

Under Employee Retirement Income Security Act of 1974

December 31, 2008 and 2007

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Report of Independent Registered Public Accounting Firm

To the Participants and Administrator of

The Raytheon Savings and Investment Plan:

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the Raytheon Savings and Investment Plan (the Plan) at December 31, 2008 and 2007, and the changes in net assets available for benefits for the year ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. 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 of these statements 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. An audit 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) is presented for the purpose of additional analysis and is not a required part of the basic 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 the 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.

Boston, Massachusetts

June 25, 2009

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Raytheon Savings and Investment Plan

Statements of Net Assets Available for Benefits

December 31, 2008 and 2007

	2008	2007
Assets		
Investments		
At fair value (Notes 2, 3 and 4)		
Investment contracts	$ 2,214,491,930	$ 1,965,473,699
Registered investment companies	4,146,615,386	6,026,013,053
Common collective trusts	534,251,963	811,426,221
Raytheon Company common stock	1,454,192,175	1,895,116,460
Other investments	268,405,275	455,510,421
Participant loans	211,953,025	208,034,801
Total investments	8,829,909,754	11,361,574,655
Interest bearing cash	44,428,995	49,353,704
Unrealized gain on open swap contracts	16,147,898	5,929,155
Restricted cash held as collateral for swap contracts	12,842,000	
Receivables		
Receivables for investments sold on a delayed delivery basis (Note 9)	406,430,816	43,220,701
Receivables for open foreign currency contracts (Note 6)	24,673,846	
Employer contributions	4,162	36,783
Accrued investment income and other receivables	16,243,388	10,341,397
Total receivables	447,352,212	53,598,881
Total assets	9,350,680,859	11,470,456,395
Liabilities		
Payables for investments purchased on a delayed delivery basis (Note 9)	442,215,680	82,833,761
Payables for open foreign currency contracts (Note 6)	24,784,646	
Payables for securities purchased	1,929,823	2,629,280
Accrued expenses	138,545	117,419
Unrealized loss on open swap contracts	24,341,186	5,414,398
Due to brokers, segregated for open swap contracts	3,060,000	
TBA sale commitment, at value (proceeds $64,942,906 and $41,300,066, respectively)	65,583,888	41,447,846
Other payables	4,747,630	4,126,893
Total liabilities	566,801,398	136,569,597
Net assets available for benefits at fair value	8,783,879,461	11,333,886,798
Adjustment from fair value to contract value for interest in fully benefit-responsive investment contracts	14,945,962	(23,559,372)
Net assets available for benefits	$ 8,798,825,423	$ 11,310,327,426

The accompanying notes are an integral part of these financial statements.

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Raytheon Savings and Investment Plan

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 2008

	2008
Additions to net assets attributable to	
Interest and dividends (Note 2)	$ 372,630,329
Contributions and deferrals	
Employee deferrals	581,275,887
Employer contributions	238,004,369
	819,280,256
Total additions	1,191,910,585
Deductions from net assets attributable to	
Net depreciation of investments (Notes 2 and 4)	2,942,846,099
Distributions to participants	803,236,107
Administrative expenses	542,142
Total deductions	3,746,624,348
Decrease in net assets prior to plan mergers	(2,554,713,763)
Transfers in from affiliate benefit plans (Note 1)	43,211,760
Decrease in net assets available for benefits	(2,511,502,003)
Net assets, beginning of year	11,310,327,426
Net assets, end of year	$ 8,798,825,423

The accompanying notes are an integral part of these financial statements.

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Raytheon Savings and Investment Plan

Notes to Financial Statements

December 31, 2008 and 2007

1. Description of Plan
General

The following description of the Raytheon Savings and Investment Plan (the Plan) provides only general information. Participants should refer to the Plan document for a complete description of the Plan s provisions. The Plan is a defined contribution plan covering the majority of employees of Raytheon Company (the Company). Most employees are immediately eligible to enroll in the Plan on the first day of service. The purpose of the Plan is to provide participants with a tax-effective means of meeting both short-term and long-term investment objectives. The portion of the Plan that is invested in Raytheon Company stock is an employee stock ownership plan (ESOP) that is intended to constitute a stock bonus plan as defined in the Internal Revenue Service code of 1986 (the Code) and that includes a cash or deferred arrangement. The remaining portion of the Plan is a profit-sharing plan that includes a cash or deferred arrangement. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

The Plan s investments are principally held in the Raytheon Savings and Investment Plan Trust (the Trust).

In 2005, the Plan Sponsor acquired UTD, Incorporated. On April 15, 2008, the net assets of the UTD, Incorporated 401(k) Profit Sharing Plan, amounting to $12,407,974, were merged into the Plan and those participants began participating in the plan on the same date.

In 2004, the Plan Sponsor acquired Photon Research Associates, Incorporated. On October 1, 2008, the net assets of the Photon Research Associates, Incorporated 401(k) Plan, amounting to $30,803,786, were merged into the Plan and those participants began participating in the plan on the same date.

Contributions and Deferrals

Eligible employees may contribute to the Plan up to 50% of their compensation, as defined in the Plan document. The Code limits the compensation the Plan may take into account to $230,000 for the 2008 plan year. Employee contributions, including rollovers, are invested based on participant elections. For 2008, the annual employee pre-tax elective deferral contributions for a participant cannot exceed $15,500, except for catch-up contributions. Participants also may make after-tax contributions, but total employee (pre-tax and after-tax) contributions and employer contributions may not exceed $46,000 for the 2008 plan year, except for catch-up contributions. A participant who is eligible to make elective pre-tax contributions and is at least age 50 by the end of 2008 may make pre-tax catch-up contributions up to $5,000.

For most employees, the Company matches 100% of the first 4% of compensation that a participant contributes to the Plan each pay period. For most participants, matching Company contributions are made in cash and are invested based on the investment allocation elected by each participant.

Effective January 1, 2007, eligible employees hired or rehired on or after January 1, 2007 participate in the Retirement Income Savings Program (RISP) (subject to any applicable collective bargaining agreements), in addition to having the right to participate in the other features of the Plan. Under RISP, the Company contributes a percentage of each RISP-eligible participant s compensation to the participant s RISP account in the Plan. The percentage contribution varies according to a schedule based on the participant s age at the most recent date of hire and years of service since the most recent date of hire.

Before January 1, 2005, the Company also made an ESOP contribution equal to one-half of 1% of the participant s compensation up to the applicable IRS limitation. The Company ceased to make that contribution for most participants effective December 31, 2004.

Participants may invest contributions in increments of 1% in any combination of investment options available, subject to percentage limitations applicable to some funds. The investment options range from investments with an emphasis on preservation of capital to equity investments with an emphasis on capital gains. The underlying investments include cash and equivalents, investment contracts, registered investment companies, common collective trusts, common stock (including stock of Raytheon Company), bonds and other investments.

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Raytheon Savings and Investment Plan

Notes to Financial Statements

December 31, 2008 and 2007

Participant Accounts

Each participant account is credited with the participant s contributions, the Company s contributions and an allocation of Plan earnings (losses). Plan earnings (losses) are allocated based on account balances by investment option. Expenses payable by the Plan are charged to participant accounts.

Participants are not permitted to make a direct exchange from the Fixed Income Fund to any money market fund (a competing fund). All money being exchanged out of the Fixed Income Fund must first be exchanged to a non-competing fund for at least 90 days before being exchanged into a money market fund.

Vesting

With the exception of RISP participants and certain union groups, all employee and most employer contributions including ESOP contributions and earnings (losses) thereon are immediately 100% vested for each participant who performs an hour of service on or after January 1, 1999. Most RISP participants who did not perform an hour of service before January 1, 2007, become 100% vested in the employer RISP contributions after three years of service. Forfeitures of the non-vested portions of terminated participants accounts are available to reduce Company contributions. At December 31, 2008 and 2007, unallocated Plan forfeitures were $1,118,463 and $1,484,727, respectively. During 2008, the total amount of forfeitures created was $579,298. The Company used a portion of the excess forfeitures available to offset $1,000,000 of Company contributions during the year.

Distributions to Participants

A participant may make certain in-service withdrawals, including all or a portion of participant after-tax contributions and related earnings at any time and all or a portion of participant pre-tax contributions, employer contributions and related earnings upon attainment of age 59 $^1/2$. For reasons of financial hardship, a participant may withdraw all or a portion of participant pre-tax contributions and related earnings subject to a reduction in the maximum participant pre-tax contribution rate for the next six months. On termination of employment, a participant will receive a lump-sum distribution unless the vested account is valued in excess of $1,000, and the participant elects to defer distribution. Otherwise, a terminated participant may defer the distribution until April 1 of the year following the year in which the participant reaches age 70 $^1/2$.

Participants who have investments in the Raytheon Stock Fund may elect to reinvest dividends within the Plan or receive dividends in cash. Any dividends received in cash by participants will be subject to taxes in the year of receipt. In 2008, the Company s Board of Directors declared dividends of $1.12 per share. Of the $33,137,976 in dividends paid to the Plan, approximately $1,213,176 was received in cash by participants who elected the cash payment option.

Loans to Participants

A participant may borrow a portion of the balance in the participant s account, other than the RISP account, subject to certain restrictions. The maximum amount of a loan is the lesser of one-half of the participant s account balance or $50,000, minus the participant s highest outstanding loan balance over the previous 12 months. The minimum loan is $500. Loans are secured by the balance in the participant s account and bear interest equal to the prime rate published in *The Wall Street Journal* on the first business day of the calendar quarter in which the loan is made. Loans must be repaid over a period of up to five years by means of payroll deductions, except that if the loan is used to acquire a dwelling which is to be used as a principal residence of the participant, the repayment period may extend to up to 15 years. Loan payments and interest payments are credited to the borrower s account in the investment fund or funds according to the participant s current investment election. Loans are valued at the principal outstanding plus accrued interest. As of December 31, 2008 and 2007, the interest rates on the outstanding loans ranged from

4.00% to 10.00% and 4.00% to 10.25%, respectively.

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Raytheon Savings and Investment Plan

Notes to Financial Statements

December 31, 2008 and 2007

Administrative Expenses

Substantially all expenses of administering the Plan, such as legal and other administration fees, are charged to participant accounts. Administrative expenses not paid by the Plan are paid by the Company.

2. Summary of Significant Accounting Policies

The accompanying financial statements are prepared on the accrual basis of accounting.

Plan investments are stated at fair value including the Plan s benefit-responsive investment contracts.

Investments in registered investment companies and common collective trusts are valued at the closing net asset value reported on the last business day of the year. Investments in securities (common stocks) traded on a national securities exchange are valued at the last reported sales price on the last business day of the year. Investments in fixed income securities (U.S. government, domestic and foreign bonds) are valued by a pricing service which determines valuations for normal institutional-size trading units of such securities using methods based upon market transactions for comparable securities and various relationships between securities which are generally recognized by institutional traders, or at fair value as determined in good faith by the trustee of the Trust. Future contracts are valued at the last settlement price at the end of each day on the exchange upon which they are traded. Cash equivalents are generally short-term money market instruments and are valued at cost, which approximates fair value. Investments denominated in foreign currencies are translated into U.S. dollars at the prevailing rates of exchange on each valuation date. Participant loans are valued at amortized cost, which approximates fair value. Swap contracts are valued at fair value as determined by independent third parties on behalf of investment managers using their propriety models and taking into consideration exchange quotations on underlying instruments, dealer quotations and other market information.

As described in Financial Accounting Standards Board Staff Position (the FASB), FSP AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans* (the FSP), investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Plan invests in investment contracts through the Raytheon Fixed Income Fund (the Fund), a stable value fund specifically managed for the Plan. As required by the FSP, the statements of net assets available for benefits presents the fair value of the fully benefit responsive investment contracts in the Fund and the adjustment from fair value to contract value relating to the investment contracts. The statement of changes in net assets available for benefits is prepared on a contract value basis.

A Synthetic Guaranteed Investment Contract (GIC) represents individual assets, usually a portfolio of high quality fixed income securities placed in a trust, with ownership by the Plan. Individual assets of the synthetic investment contract are valued at fair value. The Plan purchases a third party issued benefit-responsive wrapper contract that guarantees that participant transactions are executed at contract value. The fair value of the wrap contract for the GIC is determined using a discounted cash flow model which considers recent rebids as determined by recognized dealers, discount rate and the duration of the underlying portfolio.

Security transactions are recorded on the trade date. Payables and receivables for outstanding purchases and sales represent trades which have occurred but have not yet settled and are recorded on the statements of net assets available for benefits.

Counterparty credit risk is the risk that a counterparty to a financial instrument will fail on a commitment that it has entered into with the Plan. The Plan minimizes concentrations of counterparty credit risk by undertaking transactions with multiple counterparties. The Plan s Investment Manager has a credit policy in place and the exposure to counterparty credit risk, as well as the creditworthiness of these counterparties, is monitored on an ongoing basis.

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Raytheon Savings and Investment Plan

Notes to Financial Statements

December 31, 2008 and 2007

The Plan presents in the statement of changes in net assets available for benefits the net appreciation (depreciation) in the fair value of its investments, excluding fully benefit-responsive investment contracts, which consists of the realized gains (losses) and the unrealized appreciation (depreciation) on those investments.

Dividend income is recorded on the ex-dividend date. Income from other investments is recorded as earned on an accrual basis. Distributions are recorded when paid.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires the Plan administrator to make estimates and assumptions that affect the reported amounts of net assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from the estimates included in the financial statements.

The Plan provides for various investment options in any combination of stocks, mutual funds, common collective trusts, investment contracts and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. The Plan invests in certain common and collective trusts that participate in securities lending programs. In addition, the Raytheon Company Combined DB/DC Master Trust participates in a securities lending program. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect participants account balances and the amounts reported in the statements of net assets available for benefits and the statement of changes in net assets available for benefits. Other investments consist of the Plan s interest in the Raytheon Company Combined DB/DC Master Trust, which primarily consists of domestic and international equities. Please refer to the Raytheon Company Defined Benefit Plan financials for further details.

The Plan invests in certain securities collateralized by residential and commercial mortgages, credit card receivables and other assets that may be affected by, among other things, changes in: interest rates, the quality of the underlying assets or the market s assessment thereof, factors concerning interests in and structure of the issuer or the originator of the receivables, or the creditworthiness of the entities that provide credit enhancements. Certain securities have experienced significant decreases in liquidity as well as declines in the market value of certain categories of collateral underlying the securities.

Certain reclassifications have been made to the presentation of prior year financial statements to conform to the current year presentation.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161 (SFAS No. 161) *Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133* (SFAS No. 133), which expands the disclosure requirements in SFAS No. 133 about an entity s derivative instruments and hedging activities. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008. The adoption of SFAS No. 161 will not have an impact on the Plan s financial results.

In April 2009, the FASB issued FASB Staff Position (FSP) No. 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, (FSP SFAS No. 157-4). FSP SFAS No. 157-4 amends FASB Statement No. 157, Fair Value Measurements (SFAS No. 157) and provides additional guidance for estimating fair value in accordance with SFAS No. 157 when the volume and level of activity for the asset or liability have significantly decreased and also includes guidance on identifying circumstances that indicate a transaction is not orderly for fair value measurements. FSP SFAS No. 157-4 is effective for fiscal years ending after June 15, 2009. The adoption of this accounting pronouncement is not expected to have a material impact on the Plan s financial results.

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Raytheon Savings and Investment Plan

Notes to Financial Statements

December 31, 2008 and 2007

3. Fair Value Measurements

In 2008, the Plan adopted SFAS No. 157. The adoption of SFAS No. 157 did not have a material impact on the statements of net assets available for benefits or changes in net assets available for benefits.

SFAS No. 157 provides a framework for measuring fair value and requires expanded disclosures regarding fair value measurements. SFAS No. 157 defines fair value as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. SFAS No. 157 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs, where available. The following summarizes the three levels of inputs required by SFAS No. 157.

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or have been corroborated by observable market data for substantially the full term of the related assets or liabilities.

Level 3: Unobservable inputs supported by little or no market activity that are significant to the fair value of the assets or liabilities. Level 3 assets primarily consist of participant loans. The new issuance and repayment of loans is shown in the purchases, issuances, settlements line in the Level 3 Gains and Losses table below.

A financial instrument s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

	Fair Value of Investment Assets as of 12/31/2008			
	Level 1	**Level 2**	**Level 3**	**Total**
Investment contracts				
Fixed income	$ 720,965,406	$ 1,166,281,563	$ 4,271,552	$ 1,891,518,521
Wrap contracts			2,746,642	2,746,642
Registered investment companies	155,491,352			155,491,352
Common collective trusts		164,735,415		164,735,415
Total investment contracts	876,456,758	1,331,016,978	7,018,194	2,214,491,930
Registered investment companies	4,146,615,386			4,146,615,386
Common collective trusts		534,251,963		534,251,963
Raytheon Company common stock	1,454,192,175			1,454,192,175
Other investments	255,009,882	17,474,948	709,083	273,193,913
Participant loans			211,953,025	211,953,025
Interest bearing cash	44,428,995			44,428,995
Receivable for open foreign currency contracts		24,673,846		24,673,846
Open swap contracts		16,147,898		16,147,898

Total Investments	$ 6,776,703,196	$ 1,923,565,633	$ 219,680,302	$ 8,919,949,131

Although the Plan is tax exempt, certain of the Plan s investments are not and may be subject to income tax. We have reduced the estimated value of those investments based upon the expected fair value of the estimated future tax payments. This reduction was not significant to any individual investment. Because the determination and calculation of this potential tax is a complex process, actual future payments may vary from these estimates.

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Raytheon Savings and Investment Plan

Notes to Financial Statements

December 31, 2008 and 2007

	Fair Value of Investment Liabilities as of 12/31/2008			
	Level 1	Level 2	Level 3	Total
Other investments	$ 2,343,937	$ 2,444,701	$	$ 4,788,638
Payable for open foreign currency contracts		24,784,646		24,784,646
Open swap contracts		24,341,186		24,341,186
TBA sale commitment		65,583,888		65,583,888
Total Investments	$ 2,343,937	$ 117,154,421	$	$ 119,498,358

Level 3 Gains and Losses

The table below summarizes changes in the fair value of the Plan s level 3 investment assets for the year ended December 31, 2008.

	Level 3 Investment Assets - 12/31/2008				
	Fixed Income	Other Investments	Participant Loans	Wrap Contracts	Total
Balance, beginning of year	$ 10,466,675	$ 7,956,642	$ 208,034,081	$ 142,194	$ 226,599,592
Realized gains (losses)	(4,452,899)	(101,480)			(4,554,379)
Unrealized gains (losses)	(7,331,439)	(2,387,707)		2,604,448	(7,114,698)
Purchases, issuances, settlements	1,370,239	(4,744,500)	3,918,944		544,683
Transfers in (out) of level 3	4,218,976	(13,872)			4,205,104
Balance, end of year	$ 4,271,552	$ 709,083	$ 211,953,025	$ 2,746,642	$ 219,680,302

4. Investments

The following presents investment funds that represent 5% or more of the Plan s net assets: