CIGNA CORP
Form 11-K
June 28, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 11-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___ to ___

Commission File Number 1-08323

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

Cigna 401(k) Plan

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

Cigna Corporation
Two Liberty Place
1601 Chestnut Street
Philadelphia, PA 19192

Required Information

Financial statements and schedules for the Cigna 401(k) Plan, prepared in accordance with the financial reporting requirements of the Employee Retirement Income Security Act of 1974, are contained in this Annual Report on Form 11-K.

Exhibits

Exhibits are listed in the Index to Exhibits.

CIGNA 401(k) PLAN

Financial Statements and
Supplemental Schedule

December 31, 2011 and 2010

CIGNA 401(k) PLAN

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Report of Independent Registered Public Accounting Firm

To the Participants and Administrator of
the Cigna 401(k) Plan:

In our opinion, the accompanying Statements of Net Assets Available for Benefits and the related Statements of Changes in Net Assets Available for Benefits present fairly, in all material respects, the net assets available for benefits of the Cigna 401(k) Plan (the “Plan”) at December 31, 2011 and 2010, and the changes in net assets available for benefits for the years then ended 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.

/s/ PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania

June 28, 2012

CIGNA 401(k) PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	As of December 31,	
	2011	2010
	(In thousands)	
Assets		
Investments, at fair value (See Notes 3 and 4)	$ 2,811,646	$ 2,721,415
Notes receivable	57,131	54,853
Employer contribution receivable	3,101	2,428
Net assets available for benefits, at fair value	2,871,878	2,778,696
Adjustment from fair value to contract value for fully benefit-responsive investment contracts (See Note 2)	(69,061)	(71,293)
Net assets available for benefits	$ 2,802,817	$ 2,707,403

The accompanying Notes to the Financial Statements are an integral part of these statements.

CIGNA 401(k) PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	For the Years Ended December 31,	
	2011	2010
	(In thousands)	
Investment income		
Net appreciation in fair value		
of investments (See Note 4)	$ 13,816	$ 163,780
Interest	64,025	64,005
Dividends	319	350
Net investment income	78,160	228,135
Contributions		
Employee contributions	125,254	119,855
Employer contributions	71,299	68,086
Rollover contributions	11,608	11,042
Total contributions	208,161	198,983
Benefits paid to participants and other expenses	(190,907)	(162,583)
Net increase	95,414	264,535
Net assets available for benefits		
Beginning of year	2,707,403	2,442,868
End of year	$ 2,802,817	$ 2,707,403

The accompanying Notes to the Financial Statements are an integral part of these statements.

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CIGNA 401(k) PLAN

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Description of the Plan

The following description of the Cigna 401(k) Plan (the Plan) provides general information only. A more complete explanation of the features and benefits available under the Plan, a defined contribution plan, is contained in the Cigna 401(k) Plan Summary Plan Description and Prospectus. Generally, all U.S.-based employees of Cigna Corporation (Cigna) and its participating subsidiaries are eligible to participate in the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

Plan Administration

Until April 25, 2012, the Corporate Benefit Plan Committee (Committee) was the primary Plan fiduciary. The Committee was comprised of several members of Cigna's management. The Committee delegated responsibility for administration of the Plan to the Plan Administrator, a Cigna employee, and responsibility for the Plan's financial management to Cigna's Chief Financial Officer (CFO). The Plan Administrator and CFO, in turn, have arranged with Prudential Retirement Insurance and Annuity Company (PRIAC) to perform the primary administrative, recordkeeping and asset management functions. A group of Cigna financial and benefits management employees monitors the Plan's investment objectives and performance of the Plan's investment options.

Effective April 25, 2012, the Corporate Benefit Plan Committee was replaced as the primary Plan fiduciary by a new Retirement Plan Committee comprised of different members of Cigna's management; however, responsibility for Plan administration and financial management remain the responsibility of the Plan Administrator and CFO, respectively.

Investments

The Plan's investment options include a fixed group annuity contract (the Fixed Income Fund), which is a benefit-responsive investment contract (see Note 6); the Cigna Stock Fund that invests in Cigna common stock; and pooled separate accounts that invest in a variety of underlying funds. Participants may transfer assets among the investment options, subject to certain restrictions. See Note 3 and Note 4 for additional information.

Employee Contributions

The Plan permits employees to make pre-tax (regular and catch-up), after-tax (Puerto Rico participants only) and Roth contributions (regular and catch-up). Effective for the 2010 Plan year, the contribution rate maximum was raised from 25% to 80% of a participant's eligible pay. This is a total limit that applies to all employee contributions. As a result of the Plan's adopting a "qualified automatic contribution arrangement" safe harbor as of 2010, highly-compensated employees are no longer subject to a separate contribution rate limit.

Effective January 1, 2010, the Plan implemented the new automatic contribution rate increase program called Contribution Accelerator. If an eligible participant's pre-tax contribution rate is at least 1% but less than 6%, the contribution rate is automatically increased 1% at the beginning of each year until it reaches 6%. Eligible participants can opt out of Contribution Accelerator or change the date when the increase would go into effect each year. The first automatic contribution rate increases occurred at the beginning of 2011.

All employees, however, are still subject to the annual dollar limit set by the Internal Revenue Service (IRS). Employee contributions may be invested in any combination of investment

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NOTES TO THE FINANCIAL STATEMENTS

options offered by the Plan subject to certain other Internal Revenue Code (IRC) limitations and any restrictions imposed under Cigna Corporation's Policy on Securities Transactions and Insider Trading.

Employer Contributions

Since January 1, 2010, all employees become eligible for employer-matching contributions as soon as they join the Plan.

The Plan provides for several kinds of matching contributions, including a regular match and a variable match. Regular matching contributions are made at the same time employee contributions are made, typically bi-weekly.

Effective with the 2010 Plan year, the Plan also provides a "true-up" matching contribution after the close of each Plan year. The true-up match is an added employer contribution, if needed to make the year's total matching contributions equal to what they would have been if made only once, after the close of a year on a "look-back" basis. That is, the true-up match provides otherwise missed regular matching contributions for eligible participants caused by changes in an employee's contributions rates during the year.

All types of matching contributions (regular, variable, true-up) are collectively referred to as "employer contributions."

Beginning in 2010, the maximum effective regular matching contribution is equal to 4.5% of a participant's eligible earnings. The actual match rate is equal to: 100% of the participant's first 3% of pay contributed (a 3% of pay match), plus 50% of the participant's next 3% of pay contributed (a 1.5% of pay match). The company match rate applies to pre-tax, after-tax (if Puerto Rico), Roth contributions and catch-up contributions – to the extent those contributions are part of an employee's first 6% of pay contributed.

The variable matching contribution is an annually-determined discretionary contribution that may be up to 2% of a participant's eligible earnings. There were no variable matching contributions for the years ended December 31, 2011 and 2010.

Before 2010, for most participants, half of the regular matching contributions were required to be invested in the Cigna Stock Fund and, for all participants, all variable matching contributions were required to be invested in the Cigna Stock Fund. Any matching contributions not subject to this requirement were invested automatically in the same manner as employee contributions. Effective January 1, 2010, the requirement that any company matching contributions be invested in the Cigna Stock Fund was eliminated.

The Plan allows participants to transfer any automatically-invested (i.e. nonparticipant-directed) employer contributions and related investment results out of the Cigna Stock Fund and into any other Plan investment option at any time, subject to any restrictions imposed under Cigna Corporation's Policy on Securities Transactions and Insider Trading.

Rollover Contributions

The Plan may accept rollover contributions. Rollover contributions represent distributions received from other "eligible retirement plans," as defined in IRC section 401(a)(31)(E). Distributions from other plans are subject to certain conditions to be eligible for rollover into the Plan.

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NOTES TO THE FINANCIAL STATEMENTS

Participant Accounts

Each participant's account is credited with the participant's contribution and allocations of a) the employer contribution and b) investment earnings, net of expenses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account balance.

Vesting

Employee contributions and related investment earnings are fully vested at all times.

Employer contributions made after 2009 and related investment earnings become fully vested upon completion of two years of service for employees hired after December 31, 2009. For employees hired before January 1, 2010, such employer contributions vest 20% after one year of service, and 100% after two years of service. Employer contributions made before January 1, 2010 continue to vest gradually at the rate of 20% for each year of vesting service and are fully vested after five years. Employer contributions made at any time and related investment earnings become fully vested earlier when an employee reaches age 65; dies; becomes totally and permanently disabled; or continues to be employed by a participating Cigna company that is sold and does not maintain a successor plan. Early vesting also would occur if Cigna discontinues matching contributions or terminates the Plan.

Participants earn a year of vesting service if they have at least 1,000 hours of service during the calendar year.

Forfeitures

A participant who is not fully vested forfeits any unvested employer contributions and related investment earnings upon termination of employment. Forfeited amounts are restored if a participant returns to Cigna before incurring five consecutive one-year breaks in service. Otherwise, forfeited amounts are used to reduce future employer contributions. Employer contributions were reduced by forfeited amounts of approximately $1.4 million in 2011 and $1.0 million in 2010.

Participant Loans

The Plan permits participants to borrow a portion of their vested Plan account, subject to certain limitations, at an annual rate of interest with a specified repayment period. The minimum amount that may be borrowed is $1,000; the maximum total loan amount is the lesser of $50,000 or 50% of the participant's vested account balance. A participant may have no more than two outstanding loans. Loan terms range from 12 to 60 months or up to 120 months if the loan is used to buy or build a participant's primary residence. The annual interest rate for a Plan loan is 2% plus the yield of actively traded U.S. Treasury securities, adjusted by the U.S. Treasury Department to 3-year or 7-year constant maturities. The maximum Plan loan interest rate is the bank prime loan rate that is in effect on the same date that the applicable Treasury rate is determined. Loan interest rates remain fixed during the term of the loan. The loan is secured by the participant's account balance. Effective January 1, 2010, PRIAC began to charge a $50 fee to process Plan loans.

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NOTES TO THE FINANCIAL STATEMENTS

Payment of Benefits

Participants may withdraw funds subject to the requirements of the Plan. Upon termination of employment for any reason, a participant may elect to receive either a lump-sum amount equal to the value of the participant's vested account balance, monthly installments over a period of years, an annuity, or a combination of these forms of payment. If the vested account balance is more than $1,000 but not more than $5,000 and the participant does not agree within 80 days to accept a lump sum, the amount will automatically be rolled over to an Individual Retirement Account or Individual Retirement Annuity (IRA) sponsored by a Prudential Retirement affiliate. The IRA will be invested in an investment product designed to preserve principal and provide a reasonable rate of return and liquidity. All related expenses will be charged to the IRA.

To the extent a participant's account is invested in the Cigna Stock Fund, the participant may elect to receive such amounts in shares of Cigna common stock.

Plan Expenses

Before April 1, 2010, the investment results of all funds except for the Cigna Stock Fund were net of management fees, investment expenses, risk charges and administrative costs charged by PRIAC. Since April 1, 2010, administrative expenses and investment management fees have become separate, and participant accounts are now directly charged, on a quarterly basis, with the same administrative fee regardless of their investment options. The annualized fee is 0.09% of a participant's account balance up to a maximum of $210. In 2010, because the new fee structure was in place for only nine months, the maximum annual fee was $157.50.

Brokers' commissions resulting from buying or selling stock in the Cigna Stock Fund are paid from the participants' accounts and have been reflected as a reduction of the Cigna Stock Fund's investment income in these financial statements. Other costs associated with the operation of the Plan, including trustee and legal fees, are paid by Cigna.

Plan Termination

Cigna intends to continue the Plan indefinitely, but reserves the right to discontinue employer contributions or terminate the Plan in whole or in part at any time. If contributions are discontinued or the Plan is terminated, affected participants will become fully vested. Upon Plan termination, net assets of the Plan will be distributed in the manner Cigna elects in accordance with the Plan document and in accordance with ERISA and its related regulations.

Plan Trustee

As of December 31, 2011 and 2010, Prudential Bank & Trust, FSB, was the Trustee for the Plan.

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NOTES TO THE FINANCIAL STATEMENTS

Note 2 - Significant Accounting Policies

Recent Accounting Pronouncements

Participant Loans. In 2010, the Plan adopted the Financial Accounting Standards Board's (FASB) new requirements for the reporting of participant loans (ASU No. 2010-25, "Reporting Loans to Participants by Defined Contribution Pension Plans"), that requires participant loans to be classified as notes receivable from participants separate from plan investments and measured at their unpaid principal balance plus accrued interest. There was no impact on the measurement of overall Plan assets as a result of this implementation.

Updated Fair Value Guidance. In May 2011, the FASB issued ASU 2011-04 "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs", which changes certain principles or requirements for measuring fair value and for disclosing information about fair value measurements. The update is effective on January 1, 2012. Plan management does not expect the adoption of this update to have a material impact on the measurement of Plan assets.

In addition, the Plan adopted the FASB's updated guidance on fair value measurements (ASU 2010-06) in 2011, which requires separate disclosures of significant transfers between levels in the fair value hierarchy. See Note 3 for additional information.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). Certain reclassifications have been made to prior period amounts to conform to the current presentation.

As required by ASC 962 "Defined Contribution Pension Plans," the Plan reports fully benefit-responsive investment contracts at fair value in the Statement of Net Assets Available for Benefits. The adjustment of the fully benefit-responsive investment contracts from fair value to contract value is separately disclosed on the Statement to determine net assets available for benefits. Contract value represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

Use of Estimates

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

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NOTES TO THE FINANCIAL STATEMENTS

Valuation of Investments and Income Recognition

Plan investments are reported at fair value. The fair value of Cigna common stock is based upon its quoted market price. Fair value of pooled separate accounts is measured by the net unit value, which is based on the fair value of the underlying assets of the account. Plan management determines the estimated fair value of the Fixed Income Fund by approximating the market value of the underlying investments by discounting expected future investment cash flow from both investment income and repayment of principal. The estimate of fair value is then adjusted back to contract value to reflect the fact that withdrawals from the Fixed Income Fund are at contract value.

Purchases and sales of securities are recorded on a trade-date basis. Interest is recognized when earned. Dividends are recognized on the declared date of record.

Payment of Benefits

Benefits are recorded when paid.

Note 3 - Fair Value Measurements

The Plan carries financial instruments, except participant loans, at fair value in the financial statements.

Fair value is defined as the price at which an asset could be exchanged in an orderly transaction between market participants at the balance sheet date.

Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality. In instances where there is little or no market activity for the same or similar instruments, the Plan estimates fair value using methods, models and assumptions that the Plan believes a hypothetical market participant would use to determine a current transaction price. These valuation techniques involve some level of estimation and judgment by the Plan which becomes significant with increasingly complex instruments or pricing models. For pooled separate accounts, fair value is based on net unit value as reported by PRIAC. PRIAC has represented that the net unit value in the pooled separate accounts represents the amount the Plan would have received in an orderly transaction at the balance sheet date.

The Plan's financial assets carried at fair value have been classified based upon a hierarchy defined by GAAP. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with significant unobservable inputs (Level 3). An asset's classification is based on the lowest level input that is significant to its measurement. For example, a financial asset carried at fair value would be classified in Level 3 if unobservable inputs were significant to the instrument's fair value, even though the measurement may be derived using inputs that are both observable (Levels 1 and 2) and unobservable (Level 3).

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Financial Assets Carried at Fair Value

The following table provides information as of December 31, 2011 and 2010 about the Plan's financial assets carried at fair value.

2011

(In thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets at fair value:				
Corporate stocks	$ 317,056	$ -	$ -	$ 317,056
Pooled separate accounts:				
Fixed maturities	-	57,099	-	57,099
Equity securities	-	941,112	-	941,112
Fixed Income Fund	-	-	1,496,379	1,496,379
Total assets at fair value	$ 317,056	$ 998,211	$ 1,496,379	$ 2,811,646

2010

(In thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets at fair value:				
Corporate stocks	$ 300,374	$ -	$ -	$ 300,374
Pooled separate accounts:				
Fixed maturities	-	53,199	-	53,199
Equity securities	-	961,382	-	961,382
Fixed Income Fund	-	-	1,406,460	1,406,460
Total assets at fair value	$ 300,374	$ 1,014,581	$ 1,406,460	$ 2,721,415

Level 1 Financial Assets

Inputs include unadjusted quoted prices for identical assets in active markets accessible at the measurement date. Active markets provide pricing data for trades occurring at least weekly and include exchanges and dealer markets.

Level 1 assets consist of shares of Cigna common stock valued at the closing price reported on the active markets on which Cigna stock is traded.

Level 2 Financial Assets

Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves. An instrument is classified in Level 2 if the Plan determines that unobservable inputs are insignificant.

Level 2 assets consist of investments in pooled separate accounts of PRIAC, investing in fixed

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income and equity security mutual funds. Such investments are valued at the net asset value of shares held by the Plan at the end of the year. The net asset value is the exit price. There have been no significant transfers between Level 1 and Level 2 assets for the years ended December 31, 2011 and 2010.

Level 3 Financial Assets

Certain inputs for instruments classified in Level 3 are unobservable (supported by little or no market activity) and significant to their resulting fair value measurement. Unobservable inputs reflect the Plan's best estimate of what hypothetical market participants would use to determine a transaction price for the asset at the reporting date.

Level 3 assets consist of the fixed income fund. The fund invests in publicly-traded and privately-placed debt securities, mortgage loans, real estate and other equity investments, and is valued on an aggregate basis. Because some of the inputs into the fund's valuation are not readily observable in the market, the fund is classified in Level 3.

Changes in Level 3 Financial Assets Carried at Fair Value

The following table summarizes the changes in financial assets classified in Level 3 for the years ended December 31, 2011 and 2010. Changes in fair value reported in this table may include amounts attributable to both observable and unobservable inputs.

Level 3 Assets

(In thousands)	2011	2010
	Fixed Income Fund	Fixed Income Fund
Balance, beginning of year	$ 1,406,460	$ 1,273,373
Net change in fair value	(2,232)	51,317
Purchases	188,806	162,741
Sales	(158,804)	(143,016)
Reinvestment of income on investments still held	42,789	46,728
Reinvestment of income on investments sold	19,360	15,317
Balance, end of year	$ 1,496,379	$ 1,406,460