

CIGNA CORP
Form 11-K
June 24, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

(Mark One)

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

For the fiscal year ended December 31, 2003

OR

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

For the transition period from _____ to _____

Commission File Number 1-8323

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
1601 Chestnut Street, TL17M
Philadelphia, PA 19192

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

CIGNA Corporation
One Liberty Place
1650 Market 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

The exhibit is listed in the Index to Exhibits.

CIGNA 401(k) PLAN

Financial Statements and Supplemental Schedule

December 31, 2003 and 2002

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, 2003 and 2002, 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) and auditing standards generally accepted in the United States of America. 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 Form 5500 Schedule H, line 4i 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. The 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, PA
June 24, 2004

CIGNA 401(k) PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	As of December 31,	
	<u>2003</u>	<u>2002</u>
	<i>(In thousands)</i>	
Assets		
Investments	\$ 2,127,297	\$ 1,848,288
Employer contributions receivable	5,640	-
Dividends receivable	1,350	1,304
	<u> </u>	<u> </u>
Net assets available for benefits	\$ 2,134,287	\$ 1,849,592
	<u> </u>	<u> </u>

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

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CIGNA 401(k) PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

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	For the Years Ended December 31,	
	<u>2003</u>	<u>2002</u>
	<i>(In thousands)</i>	
Investment income (loss)		
Net appreciation (depreciation) in fair value of investments (see Note 3)	\$ 223,829	\$ (315,278)
Interest	52,600	68,699
Dividends	5,352	4,743
	<hr/>	<hr/>
Net investment income (loss)	281,781	(241,836)
	<hr/>	<hr/>
Contributions		
Employee contributions	108,160	119,044
Employer contributions	40,405	38,344
Rollover contributions	4,326	5,461
	<hr/>	<hr/>
Total contributions	152,891	162,849
	<hr/>	<hr/>
Benefits paid to participants	(149,977)	(112,532)
	<hr/>	<hr/>
Net increase (decrease)	284,695	(191,519)
Net assets available for benefits		
Beginning of year	1,849,592	2,041,111
	<hr/>	<hr/>
End of year	\$ 2,134,287	\$ 1,849,592
	<hr/>	<hr/>

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

CIGNA 401(k) PLAN

NOTES TO 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 is contained in the Summary Plan Description and Prospectus. Generally, all domestic employees of CIGNA Corporation (CIGNA) and its participating subsidiaries can participate in the Plan, a defined contribution plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Employee Contributions

The Plan permits regular tax-deferred contributions, by payroll deduction, to a maximum of 25% of a participant's eligible earnings. Tax-deferred contributions are also referred to as employee contributions. Employee contributions may be invested in any combination of investment options offered by the Plan. Contributions are subject to certain limitations to comply with the Internal Revenue Code (IRC).

A participant who attains age 50 before the end of a Plan year may qualify to make additional tax deferred contributions (called catch-up contributions), for that year, to a maximum of 25% of eligible earnings. Catch-up contributions are subject to certain limitations to comply with the IRC.

Employer Contributions

Participants who have completed one year of eligible service may receive employer-matching contributions. CIGNA offers two kinds of matching contributions—the regular match, which is a 50% match of any participant's regular contributions up to 6% of eligible earnings, and the variable match, which is determined annually and is discretionary. The variable match may be up to 2% of a participant's eligible earnings and is invested in the CIGNA Stock Fund. The variable match contribution for the year ended December 31, 2003 was approximately \$5.6 million. There was no variable match authorized for the year ended December 31, 2002. Half of the regular matching contributions for most participants is invested in the CIGNA Stock Fund. Employer contributions that are required to be invested in the CIGNA Stock Fund (i.e. nonparticipant-directed contributions) and the related investment earnings cannot be transferred to any of the Plan's other investment funds until termination of employment or attainment of age 55. The portion of matching contributions which are not required to be invested in the CIGNA Stock Fund are invested automatically in the same manner as employee contributions. These matching contributions are collectively referred to as employer contributions. Catch-up contributions are not matched by CIGNA.

Rollover Contributions

The Plan may accept rollover contributions. Rollover contributions represent distributions received from other employer-sponsored, tax qualified pension or profit sharing plans. Distributions from other plans are subject to certain conditions to be eligible for rollover into the Plan.

CIGNA 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

Vesting

Employee contributions, including related investment earnings, are fully vested at all times. Employer contributions and related investment earnings vest 20% for each year of vesting service. Participants earn a year of vesting service if they have at least 1,000 hours of service during the calendar year period. Early vesting rules may apply upon joining the Plan if the participant was previously employed by a CIGNA company or had an account in certain plans that have since merged into the Plan. Employer contributions and related investment earnings are fully vested upon an employee's attainment of age 65, death or total and permanent disability. Full vesting would also occur if a participating CIGNA company is sold and does not maintain a successor plan, if CIGNA discontinues matching contributions or if the Plan is terminated. See Note 8 for additional information.

Forfeitures

Upon termination of a participant's employment, that portion of employer contributions and related investment earnings which are not vested are forfeited. Forfeited amounts are used to reduce future employer contributions. In 2003 and 2002, employer contributions were reduced by forfeited amounts of approximately \$1.4 million and \$1.1 million, respectively.

Participant Loans

The Plan permits participants to borrow a portion of their account, subject to certain limitations, at an annual rate of interest with a specified repayment period. The minimum amount that can 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. Loan interest rates remain fixed during the term of the loan. The loan is secured by the participant's account balance.

Payment of Benefits

Participants may withdraw funds subject to the requirements of the Plan. On termination of employment due to death, disability, retirement or other reasons, 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. To the extent amounts are invested in the CIGNA Stock Fund, a participant may elect to receive such amounts in shares of CIGNA common stock.

Plan Termination

CIGNA intends to continue the Plan indefinitely, but reserves the right to discontinue 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 and in accordance with ERISA and its related regulations.

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CIGNA 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

Plan Trustee

Mellon Bank N.A. is the Trustee for the Plan.

Note 2 Significant Accounting Policies

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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Valuation of Investments and Income Recognition

Plan investments are reported at fair value. The fair value of the Fixed Income Fund (see Note 3) is equivalent to its contract value. Contract value represents the aggregate amount on deposit, including accumulated interest. The fair value of CIGNA common stock is based upon its quoted market price. Fair value of Connecticut General Life Insurance Company's (CGLIC) separate accounts is measured by the net unit value, which is based on the fair value of the underlying assets of the account.

Interest is recognized when earned. Dividends are recognized on the declared date of record.

Payment of Benefits

Benefits are recorded when paid.

Plan Expenses

The investment results of all funds except for the CIGNA Stock Fund are net of management fees, investment expenses, risk charges and administrative costs charged by CGLIC. 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.

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CIGNA 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

Note 3 Investments

The Plan's investment options include a fixed group annuity contract with CGLIC (the Fixed Income Fund) that provides an annual fixed rate of interest, subject to change, a CIGNA company stock fund that invests in CIGNA common stock, and CGLIC separate accounts that invest in a variety of underlying funds. The Plan also provides several investment options that include the Fixed Income Fund and CGLIC separate accounts in combination (custom funds). Participants may transfer assets among the investment options, subject to certain restrictions.

The following table presents investments that represent 5% or more of the Plan's net assets.

	As of December 31,	
	<u>2003</u>	<u>2002</u>
	<i>(\$ in thousands)</i>	
Fixed Income Fund	\$ 1,163,167	\$ 1,163,167
CIGNA Stock Fund (4,090,909 and 4,009,813 shares, respectively)	\$ 235,234	\$ 164,896
S&P 500 Index Fund	\$ 208,364	\$ 161,796

The CIGNA Stock Fund included nonparticipant-directed investments of \$65.1 million at December 31, 2003 and \$36.6 million at December 31, 2002 (see Note 4).

During 2003 and 2002, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value as follows:

	For the Years Ended December 31,	
	<u>2003</u>	<u>2002</u>
	<i>(In thousands)</i>	
CIGNA common stock	\$ 67,342	\$ (184,368)
CGLIC separate accounts and custom funds	156,487	(130,910)
	<hr/>	<hr/>
Net appreciation (depreciation)	\$ 223,829	\$ (315,278)
	<hr/>	<hr/>

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CIGNA 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

Note 4 Nonparticipant-Directed Investments

Information about the net assets and the significant components of the changes in net assets relating to the nonparticipant-directed investments is as follows:

	As of December 31,	
	<u>2003</u>	<u>2002</u>
	<i>(In thousands)</i>	
Net Assets:		
CIGNA Stock Fund	\$ 65,135	\$ 36,643
Employer contributions receivable	5,640	-

Dividends receivable	374	290
	<u> </u>	<u> </u>
	\$ 71,149	\$ 36,933
	<u> </u>	<u> </u>
	For the Years Ended December 31,	
	<u>2003</u> <u>2002</u>	
	<i>(In thousands)</i>	
Changes in Net Assets:		
Contributions	\$ 21,501	\$ 17,389
Dividends and interest	1,636	1,320
Net appreciation (depreciation) in fair value of investment	17,281	(42,600)
Benefits paid	(3,836)	(3,206)
Loan activity (net)	(170)	(1,593)
Transfers to participant-directed investments (net)	<u>(2,196)</u>	<u>(2,440)</u>
Net increase (decrease)	\$ 34,216	\$ (31,130)
	<u> </u>	<u> </u>

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CIGNA 401(k) PLAN
NOTES TO FINANCIAL STATEMENTS**Note 5 Tax Status**

The Internal Revenue Service has determined and informed CIGNA by a letter dated August 11, 2003 that the Plan is qualified and the trust established under the Plan is tax-exempt, under the appropriate sections of the IRC.

Note 6 Related Party Transactions

There are transactions between the Plan and CIGNA and its affiliates which, in the opinion of Plan management, are exempt from detailed reporting under Title I of ERISA. Investments in CGLIC's separate accounts represent investments for which CGLIC (a CIGNA subsidiary) has fiduciary responsibility. Investment in the Fixed Income Fund represents participation in the general account assets of CGLIC. As of December 31, 2003 and 2002, CGLIC was the Plan's record keeper (see Note 8 for additional information). The CIGNA Stock Fund invests in CIGNA common stock.

During the year ended December 31, 2003, the Plan purchased shares of CIGNA stock for approximately \$57 million, sold shares of CIGNA stock for approximately \$54 million, and experienced net appreciation of approximately \$67

million. During the year ended December 31, 2002, the Plan purchased shares of CIGNA stock for approximately \$82 million, sold shares of CIGNA stock for approximately \$71 million, and experienced net depreciation of approximately \$184 million.

Note 7 Litigation

In December 2002 and February 2003, two lawsuits asserting violations of ERISA were filed against CIGNA and certain officers in the U.S. District Court for the Eastern District of Pennsylvania by individuals who seek to represent a class of participants in the Plan who allegedly suffered losses on investments in CIGNA stock. Plaintiffs seek compensatory damages, attorneys' fees and injunctive relief. In 2003, the cases were consolidated and CIGNA and the individual defendants filed a motion to dismiss the case. That motion is pending, and the court has not yet certified a class. CIGNA believes that it has valid defenses to plaintiffs' claims if they are not dismissed. The Plan has not been named as a defendant in these cases.

Note 8 Subsequent Event

On April 1, 2004, CIGNA sold its retirement benefits business to Prudential Financial, Inc. (Prudential) and a Prudential subsidiary became the Plan's record keeper and service provider. As a result of the sale, Plan participants who became employees of Prudential became 100% vested in their Plan accounts.

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SUPPLEMENTAL SCHEDULE

CIGNA 401(k) PLAN

FORM 5500 SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)

As of December 31, 2003

(In thousands)

Identity of Party	Description	Current Value
* CGLIC	Fixed Income Fund	\$1,163,167
* CIGNA	CIGNA Stock Fund CIGNA common stock (cost, \$259,359)	235,227

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	Short-term investments (cost, \$7)	7
* CGLIC	S&P 500 Index Fund	208,364
* CGLIC	Large Cap Growth / Goldman Sachs Fund	87,331
* CGLIC	Small Cap Value / Perkins, Wolf, McDonnell Fund	74,942
* CGLIC	Small Cap Growth / TimesSquare Fund	69,261
* CGLIC	Barclays Equity Market Index Fund	47,296
* CGLIC	Mid Cap Blend / New Amsterdam Partners Fund	36,677
* CGLIC	Mid Cap Value / Wellington Mgmt Fund	30,660
* CGLIC	State Street Global Advisors EAFE Index Fund	22,846
* CGLIC	International Blend / Bank of Ireland Fund	18,812
* CGLIC	Mid Cap Growth / Artisan Partners Fund	16,510
* CGLIC	Large Cap Value / Wellington Mgmt Fund	15,680
* CGLIC	High Yield Bond / Caywood-Scholl Fund	15,347
* CGLIC	Large Cap Value / John A. Levin & Co. Fund	9,201
* CGLIC	CIGNA Custom 40 Fund	8,317
* CGLIC	CIGNA Custom 50 Fund	5,928
* CGLIC	International Growth / Artisan Partners Fund	5,826
* CGLIC	Large Cap Growth / Dresdner RCM Fund	5,108
* CGLIC	CIGNA Custom 30 Fund	4,975
* CGLIC	CIGNA Custom 20 Fund	3,484
* CGLIC	CIGNA Custom 60 Fund	2,337
* Participant Loans	(3.44% to 9.00%; maturities 2004-2013)	39,994
	Total assets held for investment purposes	<u>\$2,127,297</u>

* indicates party-in-interest to the Plan

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

CIGNA 401(k) PLAN

Date: June 24, 2004

By: /s/ Gerald T. Meyn
Gerald T. Meyn
Plan Administrator

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Index to Exhibits

<u>Number</u>	<u>Description</u>	<u>Method of Filing</u>
<u>23</u>	<u>Consent of Independent Registered Public Accounting Firm</u>	Filed herewith
