

AMGEN INC
Form 11-K
June 14, 2012
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 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**

Commission file number 000-12477

AMGEN RETIREMENT AND SAVINGS PLAN

(Full title of the plan)

AMGEN INC.

(Name of issuer of the securities held)

**One Amgen Center Drive,
Thousand Oaks, California**
(Address of principal executive offices)

91320-1799
(Zip Code)

Table of Contents

Amgen Retirement and Savings Plan
Audited Financial Statements
and Supplemental Schedules
Years Ended December 31, 2011 and 2010

Contents

<u>Report of Independent Registered Public Accounting Firm</u>	1
Audited Financial Statements:	
<u>Statements of Net Assets Available for Benefits at December 31, 2011 and 2010</u>	2
<u>Statements of Changes in Net Assets Available for Benefits for the years ended December 31, 2011 and 2010</u>	3
<u>Notes to Financial Statements</u>	4
Supplemental Schedules:	
<u>Schedule of Assets (Held at End of Year)</u>	19
<u>Schedule of Assets (Acquired and Disposed of Within Year)</u>	40
<u>Schedule of Loans or Fixed Income Obligations in Default or Classified as Uncollectible</u>	41
<u>Schedule of Delinquent Participant Contributions</u>	42
<u>Signatures</u>	43
<u>Exhibits</u>	44

Table of Contents

Report of Independent Registered Public Accounting Firm

Amgen Inc., as Named Fiduciary, and the Plan Participants of the

Amgen Retirement and Savings Plan

We have audited the accompanying statements of net assets available for benefits of the Amgen Retirement and Savings Plan (the Plan) as of December 31, 2011 and 2010, and the related statements of changes in net 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 net assets available for benefits of the Plan at December 31, 2011 and 2010, and the changes in its net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules of assets (held at end of year) and loans or fixed income obligations in default or classified as uncollectible as of December 31, 2011, and assets (acquired and disposed of within year) and delinquent participant contributions for the year then ended, are presented for purposes of additional analysis and are not a required part of the financial statements but are 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. Such information is the responsibility of the Plan's management. The information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ ERNST & YOUNG LLP

Los Angeles, California

June 14, 2012

Table of Contents

Amgen Retirement and Savings Plan

Statements of Net Assets Available for Benefits

	December 31	
	2011	2010
Assets		
Investments at fair value	\$ 2,565,375,263	\$ 2,467,408,893
Notes receivable from participants	41,582,977	39,056,821
Other, including due from broker	15,455,227	5,286,145
Total assets	2,622,413,467	2,511,751,859
Liabilities		
Other, including due to broker	3,654,915	4,339,311
Total liabilities	3,654,915	4,339,311
Net assets reflecting investments at fair value	2,618,758,552	2,507,412,548
Adjustment from fair value to contract value for interests in fully benefit-responsive investment contracts	(9,442,892)	(7,435,631)
Net assets available for benefits	\$ 2,609,315,660	\$ 2,499,976,917

See accompanying notes.

Table of Contents

Amgen Retirement and Savings Plan

Statements of Changes in Net Assets Available for Benefits

	Year Ended December 31	
	2011	2010
Additions to (deductions from) net assets:		
Employer contributions	\$ 163,543,169	\$ 149,724,435
Participant contributions	129,944,790	128,595,814
Rollover contributions	7,685,837	7,411,490
Interest and dividend income	32,884,344	24,808,560
Net realized/unrealized gains (losses)	(72,286,657)	286,459,798
Interest income on notes receivable from participants	1,904,717	1,935,517
Benefits paid	(148,072,323)	(109,468,243)
Investment and administrative fees	(6,265,134)	(5,587,820)
Net increase	109,338,743	483,879,551
Net assets available for benefits at beginning of year	2,499,976,917	2,016,097,366
Net assets available for benefits at end of year	\$ 2,609,315,660	\$ 2,499,976,917

See accompanying notes.

Table of Contents

Amgen Retirement and Savings Plan

Notes to Financial Statements

December 31, 2011

1. Description of the Plan

The following description of the Amgen Retirement and Savings Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General

The Plan was established effective April 1, 1985 and was most recently amended and restated effective January 1, 2012 and subsequently amended, with the most recent amendment adopted on April 2, 2012. The Plan is a defined contribution plan covering substantially all domestic employees of Amgen Inc. (the Company or Amgen) and participating subsidiaries. The Plan, as amended, is intended to qualify under sections 401(a) and 401(k) of the Internal Revenue Code of 1986 (the Code) (see Note 5, *Income Tax Status*) and section 407(d)(3)(A) of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

Subject to certain limitations (as defined in the Plan), participants may elect to contribute up to 30% of their eligible compensation in pre-tax contributions, Roth contributions (in accordance with the Code), after-tax contributions or a combination of these types of contributions. A participant's combined pre-tax contributions and Roth contributions (exclusive of catch-up contributions discussed below) are subject to Internal Revenue Service (IRS) and Plan limits and could not exceed a maximum of \$16,500 in 2011 and 2010. Participant after-tax contributions are subject to IRS and Plan limitations and could not exceed a maximum of \$8,000 in 2011 and 2010. Unless an employee has voluntarily enrolled in the Plan or has declined to participate in the Plan within the first 30 days of employment, all newly eligible participants are automatically enrolled in the Plan and contributions equal to 5% of their eligible compensation are withheld and contributed to the Plan as pre-tax contributions; such contributions are automatically increased by 1% per year until their contributions reach 10% of their eligible compensation. Participants may elect to adjust, cease or resume their contributions at any time.

Participants who are at least age 50 by the close of the Plan year may also elect to make certain additional contributions, referred to as catch-up contributions, that are subject to IRS and Plan limitations and could not exceed \$5,500 in 2011 and 2010. Catch-up contributions may be made as pre-tax contributions, Roth contributions or a combination of these types of contributions. Participants may also contribute pre-tax, Roth and after-tax amounts representing distributions from certain other retirement plans qualified in the United States or certain individual retirement accounts (IRAs), referred to as rollover contributions (as defined in the Plan).

Table of Contents

Amgen Retirement and Savings Plan

Notes to Financial Statements (continued)

1. Description of the Plan (continued)

Contributions (continued)

Each pay period, the Company makes a non-elective contribution for all eligible participants, whether or not they have elected to make contributions to the Plan, equal to 5% of each participant's eligible compensation (Core Contributions). In addition, the Company makes a contribution equal to amounts contributed by the participant as pre-tax contributions or Roth contributions, including such contributions designated as catch-up contributions, of up to 5% of eligible compensation (Matching Contributions).

Also, the Company can, in its discretion, make a special non-elective contribution on behalf of a participant who is in his or her initial year of employment with the Company and who could not make the maximum participant contribution permitted under the Plan because in the same Plan year he or she previously made pre-tax salary deferrals under a prior unrelated employer's qualified plan.

Participants select the investments in which their contributions, including their Core Contributions and Matching Contributions (collectively, Company Contributions), are to be invested, electing among various alternatives, including Amgen Inc. common stock (Amgen stock). Participants may direct a maximum of 20% of contributions to be invested in Amgen stock. In addition, participants may transfer amounts among the investment options at any time, subject to certain limitations. Notwithstanding the foregoing, if 20% or more of the value of a participant's Plan account is invested in Amgen stock, no transfers from other investment options can be made to invest in Amgen stock.

The accounts of participants who had never made an investment election are allocated to investments under a qualified default investment alternative which is intended to be compliant with ERISA regulations. At any time participants may elect to alter the investments in their accounts made under a qualified default investment alternative.

Table of Contents

Amgen Retirement and Savings Plan

Notes to Financial Statements (continued)

1. Description of the Plan (continued)

Vesting

Participants are immediately vested with respect to their contributions, Company Contributions, and earnings and losses (hereafter referred to as earnings) thereon.

Participant Accounts

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

Plan Investments

Participants can invest in any of 14 different asset classes as well as Amgen stock or may actively manage their account under a self-directed brokerage arrangement in which a wider array of investment options are available. The value of an investment in an asset class is determined by its underlying investment vehicles which may include one or more of the following: mutual funds, collective trust funds and portfolios which are separately managed exclusively for the benefit of Plan participants and their beneficiaries (separately managed portfolios). The separately managed portfolios primarily invest in publicly traded common and preferred stocks, fixed income securities, and collective trust funds. The asset classes are designed to provide participants with choices among a variety of investment objectives.

Payments of Benefits

Subject to Plan limitations, upon termination of employment, including termination due to disability (as defined in the Plan) or retirement, participants may elect to receive an amount equal to the value of their account balance in (a) a single payment in cash, (b) a single distribution in full shares of Amgen stock (with any fractional shares paid in cash), (c) a single distribution paid in a combination of cash and full shares of Amgen stock, (d) cash installments, or (e) a rollover distribution to an eligible retirement plan. If a participant dies before receiving the value of his or her account balance, the participant's beneficiary may elect to receive the distribution of remaining funds from among the alternatives described above, subject to certain Plan limitations.

Table of Contents

Amgen Retirement and Savings Plan

Notes to Financial Statements (continued)

1. Description of the Plan (continued)

Payments of Benefits (continued)

Subsequent to termination of employment, participants may also elect to maintain their vested account balance in the Plan, provided that their account balance is greater than \$1,000.

Certain restrictions apply to withdrawals from the Plan while a participant continues to be employed by the Company.

Notes Receivable from Participants

Subject to certain restrictions, a participant can have up to two loans outstanding at any one time from his or her Plan account with a combined maximum loan amount which may not exceed the lesser of (a) 50% of the participant's account balance (exclusive of amounts related to Roth contributions and earnings thereon) or (b) \$50,000 less certain adjustments, as applicable (as defined in the Plan). A participant's loan is secured by his or her Plan account balance. Loans made prior to July 1, 2003 bear interest at fixed rates based on the average borrowing rates of certain major banks. Loans made on or after July 1, 2003 bear interest at fixed rates based on the prime rate plus one percentage point as published in The Wall Street Journal determined as of the last day of the calendar quarter preceding origination or such other rate as may be required by law. Loans are generally payable in installments over periods of up to five years, unless the loan is used to acquire a principal residence for which the term of the loan may be up to 20 years. Principal and interest payments are allocated to the participant's account.

Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to terminate the Plan subject to the provisions of ERISA. Upon termination, participants would receive distributions of their account balances.

Trustee

Effective, July 1, 2010, Bank of America, N.A. and Northern Trust Company, N.A. are the Plan's co-trustees. Prior to July 1, 2010, Bank of America, N.A. was the trustee.

Table of Contents

Amgen Retirement and Savings Plan

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies

Basis of Accounting

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

Fair Value Measurement

The investments of the Plan are reported at fair value. Fair value is generally defined as the price that would be received to sell an asset or paid to transfer a liability (the exit price) in an orderly transaction between market participants at the measurement date (see Note 3, *Fair Value Measurements*).

Investment Income and Losses

Dividend income is recognized on the ex-dividend date and interest income is recorded on an accrual basis. Unrealized gains and losses on investments are measured by the change in the difference between the fair value and cost of the securities held at the beginning of the year (or date purchased if acquired during the Plan year) and the end of the year. Realized gains and losses from security transactions are recorded based on the weighted-average cost of securities sold.

Fully Benefit-Responsive Investment Contracts

The Plan holds units of collective trust funds that have investments in fully benefit-responsive investment contracts. In addition, the Plan directly invests in such contracts in the form of security-backed contracts, discussed below. Such contracts held directly or indirectly 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 qualified transactions related to these investments. The Statements of Net Assets Available for Benefits present these contracts at fair value with an adjustment to contract value. The Statements of Changes in Net Assets Available for Benefits are prepared on a contract value basis.

As of December 31, 2011 and 2010, the Plan had two security-backed contracts which are fully benefit-responsive investment contracts, sometimes referred to as wrapper contracts. These contracts were issued by financial services companies and are backed by the Plan's ownership interests in collective trust funds that invest in fixed income securities. With regard to wrapper contracts outstanding as of December 31, 2011, the credit ratings of one contract issuer are AA- with a stable outlook by Standard & Poor's (S&P), A1 with a stable outlook by

Table of Contents

Amgen Retirement and Savings Plan

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)*Fully Benefit-Responsive Investment Contracts (continued)*

Moody's Investor Services, Inc. (Moody's), and aa- with a stable outlook by A.M. Best Company (A.M. Best). The credit ratings of the other issuer are A+ with a stable outlook by S&P, A1 with a stable outlook by Moody's, and aa- with a negative outlook by A.M. Best. The issuers of the Plan's security-backed contracts credit the Plan with stated rates of interest, and the issuers guarantee that all qualified participant withdrawals related to the contracts will be at contract value, except as discussed below. The crediting rates provide for realized and unrealized gains and losses on the underlying assets to be amortized over the expected duration of the underlying investments through adjustments to the future interest crediting rates rather than being reflected immediately in the net assets of the Plan. The interest crediting rates of the security-backed contracts are primarily based on the current yield to maturity of the underlying investments plus or minus amortization of the difference between the contract value and fair value of the underlying investments over the duration of such investments. Accordingly, future crediting rates are impacted by changes in the yield to maturity of underlying investments, the duration of the assets underlying the contract and the difference between the contract value and fair value of the underlying investments. The crediting rates are reset quarterly and are reduced by fees paid to the contract issuers. In no event are the crediting rates less than 0%.

To the extent that the underlying investments of security-backed contracts have unrealized and/or realized losses, a positive adjustment is made to the adjustment from fair value to contract value in the Statements of Net Assets Available for Benefits. As a result, the future crediting rate may be lower over time than the then-current market rates. Conversely, if the underlying investments generate unrealized and/or realized gains, a negative adjustment is made to the adjustment from fair value to contract value, and the future crediting rate may be higher over time than the then-current market rates.

The security-backed contracts provide for withdrawals at other than contract value associated with certain events which are not in the ordinary course of Plan operations. These withdrawals are made at contract value modified by a market value adjustment as defined in the contract. Circumstances which may trigger a market value adjustment are generally defined as any event which, in the reasonable determination of the issuer, has or will have a material adverse effect on the issuer's interest under the contract. Such events may include, but are not limited to: (i) material amendments to the Plan's structure or administration; (ii) changes in or the creation of competing investment options; (iii) complete or partial termination of the Plan; (iv) removal of a specifically identifiable group of employees from coverage under the Plan; (v) a change in law, regulation, ruling, administrative position, or accounting standard applicable to the Plan; or (vi) communication to Plan participants designed to influence a participant not to invest in the asset class that contains these contracts. The Company does not believe that the occurrence of any such event, which would limit the Plan's ability to transact at contract value with participants, is probable.

Table of Contents

Amgen Retirement and Savings Plan

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Fully Benefit-Responsive Investment Contracts (continued)

These security-backed contracts are evergreen contracts with no maturity dates but do contain termination provisions. The issuer is obligated to pay the excess contract value when the fair value of the underlying investments equals zero. In addition, if the Plan defaults in its obligations under the security-backed contract and such default is not corrected within the time permitted by the contract, then the contract may be terminated by the issuer and the Plan will receive the fair value of the underlying investments as of the date of termination.

The yields earned by the Plan as of December 31, 2011 and 2010 were 1.7% and 2.2%, respectively, which represents the annualized earnings of all security-backed contracts divided by the fair value of all security-backed contracts in the Plan as of December 31, 2011 and 2010, respectively. The yield earned by the Plan with an adjustment to reflect the actual interest rate credited to participants was 3.5% as of December 31, 2011 and 2010, which represents the annualized earnings credited to participants divided by the fair value of all security-backed contracts as of December 31, 2011 and 2010, respectively.

Notes Receivable from Participants

Notes receivable from participants are carried at their unpaid balance plus accrued but unpaid interest, as applicable.

Due from/to Brokers

Purchases and sales of investments are recorded on a trade-date basis. Due from brokers and due to brokers arise from unsettled sale and purchase transactions as of December 31, 2011 and 2010.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Table of Contents

Amgen Retirement and Savings Plan

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In May 2011, a new accounting standard was issued that amends certain fair value measurement principles, clarifies the application of existing fair value measurement requirements and requires additional disclosures regarding fair value. This new standard is required to be applied prospectively beginning in 2012. The Company does not expect this new accounting standard to have a material effect on the Plan's financial statements.

3. Fair Value Measurements

The Plan uses various valuation approaches in determining the fair value of investments within a hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the investment based on market data obtained from independent sources. Unobservable inputs are inputs that reflect assumptions about the inputs that market participants would use in pricing the investment and are developed based on the best information available in the circumstances. The fair value hierarchy is divided into three levels based on the source of inputs as follows:

Level 1 Valuations based on unadjusted quoted prices in active markets for identical investments that the Plan has the ability to access;

Level 2 Valuations for which all significant inputs are observable, either directly or indirectly, other than level 1 inputs;

Level 3 Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary among the various types of investments. To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used for measuring fair value may fall into different levels of the fair value hierarchy. In such cases, for financial statement disclosure purposes, the level in the fair value hierarchy within which the fair value measurement is categorized is based on the lowest level of input used that is significant to the overall fair value measurement.

Table of Contents

Amgen Retirement and Savings Plan
Notes to Financial Statements (continued)

3. Fair Value Measurements (continued)

The following fair value hierarchy table presents information about each major class/category of the Plan's investments measured at fair value:

	\$XXX,XXX,XXX	\$XXX,XXX,XXX	\$XXX,XXX,XXX	\$XXX,XXX,XXX
	Fair value measurements at December 31, 2011 using			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Amgen stock	\$ 149,661,871	\$ -	\$ -	\$ 149,661,871
Cash and cash equivalents	27,633,435	-	-	27,633,435
Common and preferred stocks:				
Large cap growth	257,227,790	-	-	257,227,790
Large cap value	102,403,491	-	-	102,403,491
Small-mid cap growth	40,131,480	-	-	40,131,480
Small-mid cap value	228,777,796	191,847	-	228,969,643
Other	87,684,790	-	-	87,684,790
Debt securities:				
U.S. Treasury securities	38,694,429	-	-	38,694,429
U.S. government agency securities	-	73,208,766	-	73,208,766
Corporate debt securities	-	29,264,262	-	29,264,262
Mortgage and asset backed securities	-	19,488,781	-	19,488,781
Mutual funds:				
High yield debt	55,053,733	-	-	55,053,733
Inflation indexed debt	37,528,268	-	-	37,528,268
International growth	81,546,244	-	-	81,546,244
International value	153,974,432	-	-	153,974,432
Real estate investment trust index	61,231,722	-	-	61,231,722
Other	27,126,159	-	-	27,126,159
Collective trust funds:				
Capital preservation	-	265,279,555	-	265,279,555
Emerging markets equity	-	95,719,189	-	95,719,189
Fixed income	-	17,102,228	-	17,102,228
Inflation indexed debt	-	2,385,874	-	2,385,874
International growth	-	39,722,707	-	39,722,707
International value	-	11,691,206	-	11,691,206
Large cap growth	-	20,001,122	-	20,001,122
Large cap in				