ALLIANCE DATA SYSTEMS CORP
Form 11-K
June 06, 2014

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, 2013

OR

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

For the transition period from _____ to _____

Commission file number 001-15749

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

Alliance Data Systems
401(k) and Retirement Savings Plan

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

Alliance Data Systems Corporation
7500 Dallas Parkway, Suite 700
Plano, Texas 75024

Alliance Data Systems 401(k) and Retirement Savings Plan

Financial Statements and Supplemental Information
Years Ended December 31, 2013 and 2012

Contents

*   All other financial schedules required by Section 2520.103-10 of the U.S. Department of Labor's Annual Reporting and Disclosure Requirements under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Alliance Data
Systems Corporation, Compensation Committee of
the Board of Directors and Plan Administrator
of the Alliance Data Systems 401(k) and
Retirement Savings Plan:

We have audited the accompanying statements of net assets available for benefits of the Alliance Data Systems 401(k) and Retirement Savings Plan (the "Plan") as of December 31, 2013 and 2012, 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 manage−ment. Our respon−sibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with stan−dards 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. The Plan is not required to have, nor were we engaged to perform, an audit of its 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by manage−ment, as well as 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 as of December 31, 2013 and 2012, and the changes in net assets available for benefits for the years then ended, in conformity with accounting prin−ciples generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2013 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 audit 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/ Ary Roepcke Mulchaey, P.C.

Columbus, Ohio
June 6, 2014

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Alliance Data Systems 401(k) and Retirement Savings Plan
Statements of Net Assets Available for Benefits
December 31, 2013 and 2012

	2013	2012
Assets:		
Investments at fair value	$490,532,021	$342,673,058
Cash	1,813,805	135,458
Receivable for contributions:		
Employer	10,499,821	11,046,784
Participants	-	180,218
Total contributions receivable	10,499,821	11,227,002
Notes receivable from participants, net of allowance for defaulted loans	9,058,338	6,265,829
Due from brokers	9,390,003	235,550
Accrued fees	26,481	29,086
Total assets	521,320,469	360,565,983
Liabilities:		
Administrative fees payable	154,152	124,077
Due to broker	10,859,683	281,385
Total liabilities	11,013,835	405,462
Net assets reflecting investments at fair value	510,306,634	360,160,521
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(125,793)	(299,310)
Net assets available for benefits	$510,180,841	$359,861,211

See accompanying notes.

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Alliance Data Systems 401(k) and Retirement Savings Plan
Statements of Changes in Net Assets Available for Benefits
For the Years Ended December 31, 2013 and 2012

	2013	2012
Additions:		
Investment income:		
Net appreciation in fair value of investments	$90,295,405	$36,932,661
Interest and dividends	1,144,856	6,990,394
Fee income	119,358	235,237
Total investment income	91,559,619	44,158,292
Interest on notes receivable from participants	410,856	316,978
Contributions:		
Employer	27,976,494	24,239,806
Participants	37,547,548	27,752,147
Rollovers	21,247,605	5,351,928
Total contributions	86,771,647	57,343,881
Total additions	178,742,122	101,819,151
Deductions:		
Distributions to participants	27,727,030	38,976,911
Administrative expenses	695,462	584,146
Total deductions	28,422,492	39,561,057
Net increase	150,319,630	62,258,094
Net assets available for benefits:		
Beginning of year	359,861,211	297,603,117
End of year	$510,180,841	$359,861,211

See accompanying notes.

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Alliance Data Systems 401(k) and Retirement Savings Plan
Notes to Financial Statements
December 31, 2013 and 2012

1.   Description of the plan

General

The Alliance Data Systems 401(k) and Retirement Savings Plan (the "Plan") is a defined contribution plan covering certain employees of ADS Alliance Data Systems, Inc. ("ADSI") and its affiliates (the "Employer"). Employees of the Employer that are 18 years of age, (21 years of age prior to January 1, 2013), are generally eligible to participate immediately. Seasonal, temporary, and on-call employees who perform more than 1,000 hours of service within one year are also eligible.

The Plan was amended and restated as of January 1, 2013, with certain provisions effective as of November 1, 2012, to among other things, change the eligibility age as noted above.

The Plan was amended as of November 1, 2012, to, among other things, allow for Roth elective deferrals as noted below.

The following description of the Plan provides only general information. Partici–pants should refer to the Plan document for a more complete description of the Plan's provisions. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA") as amended.

Contributions

Employer's Contributions

The Employer may authorize a discretionary profit sharing contribution ("Profit Sharing Contribution") for eligible classes of employees, which will be a specified percentage of the participant's eligible compensation as defined by the Plan ("Eligible Compensation") and may be integrated with Social Security to the extent permitted under the Internal Revenue Code ("Code"). To be eligible, a participant must not have separated from service as of the end of the Plan year unless due to death, total and permanent disability, or retirement on or after normal retirement age. The annual Eligible Compensation of each participant taken into account under the Plan is limited to the maximum amount permitted under Section 401(a)(17) of the Code. The annual Eligible Compensation limit for the Plan years ended December 31, 2013 and 2012 was $255,000 and $250,000, respectively.

The Profit Sharing Contribution for the years ended December 31, 2013 and 2012 was $9,925,914 and $10,771,581, respectively.

The Employer will provide a 100% matching contribution on the first 3% and 50% on the next 2% of a participant's voluntary contributions based on a payroll period basis for participants who have completed either 180 days of uninterrupted service with the Employer or a year of eligibility service, which ever occurs first. As of the end of the Plan year, the Employer will provide a true up matching contribution based on the above percentages, voluntary contributions, and Eligible Compensation for the Plan year.

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Alliance Data Systems 401(k) and Retirement Savings Plan
Notes to Financial Statements
December 31, 2013 and 2012

1. Description of the plan (continued)

Contributions (continued)

Participant's Voluntary Contributions

A participant may elect to make voluntary contributions of 1% to 85% of his or her annual Eligible Compensation. The participant may designate their voluntary contributions as tax-deferred, after-tax Roth, after-tax regular contributions, or any combination thereof. Tax-deferred and after-tax Roth contributions are limited to