

CTS CORP
Form 11-K
June 12, 2015
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UNITED STATES

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
[FEE REQUIRED]

For the fiscal year ended December 31, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
[NO FEE REQUIRED]

For the transition period from _____ to _____

Commission File Number: 1-4639

CTS CORPORATION RETIREMENT SAVINGS PLAN

(Title of Plan)

1142 West Beardsley Avenue

CTS Corporation Elkhart, IN 46514
(Issuer of Securities) (Address of Principal

Executive Offices)

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*Note: Other supplementary schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure 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

Trustees

CTS Corporation Retirement Savings Plan

We have audited the accompanying statements of net assets available for benefits of the CTS Corporation Retirement Savings Plan (the Plan) as of December 31, 2014 and 2013, and the related statement of changes in net assets available for benefits for the year ended December 31, 2014. 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, 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 CTS Corporation Retirement Savings Plan as of December 31, 2014 and 2013, and the changes in net assets available for benefits for the year ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

The supplemental information in the accompanying schedule of assets (held at end of year) as of December 31, 2014, has been subjected to audit procedures performed in conjunction with the audit of the CTS Corporation Retirement Savings Plan's financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements but include supplemental 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 supplementary information is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental information reconciles to the basic financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information in the accompanying schedule, we evaluated whether the supplemental information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental information referred to above is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Chicago, Illinois

June 11, 2015

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CTS Corporation Retirement Savings Plan

Statements of Net Assets Available for Benefits

December 31, 2014 and 2013

	2014	2013
Assets		
Cash	\$ —	\$ 3,819,663
Investments, at fair value	105,831,279	118,035,078
Notes receivable from participants	1,638,024	2,020,347
Net assets available for benefits	\$ 107,469,303	\$ 123,875,088

See Notes to Financial Statements.

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CTS Corporation Retirement Savings Plan

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 2014

Additions	
Investment income	
Net appreciation in fair value of investments	\$ 1,461,931
Dividends and interest income on investments	4,233,291
Net investment income	5,695,222
Interest on notes receivable from participants	81,944
Contributions	
Employer	1,728,130
Employee	3,524,208
Rollovers	180,612
Total contributions	5,432,950
Total additions	11,210,116
Deductions	
Benefits paid to participants	14,503,221
Administrative expenses	30,545
Other deductions	1,605
Total deductions	14,535,371
Net decrease prior to asset transfers out	3,325,255
Asset transfers out	13,080,530
Net decrease after asset transfers out	16,405,785
Net Assets Available for Benefits, Beginning of Year	123,875,088
Net Assets Available for Benefits, End of Year	\$ 107,469,303

See Notes to Financial Statements.

Note 1: Description of the Plan

The following brief description of the CTS Corporation Retirement Savings Plan (the “Plan”) is provided for general information purposes only. More detailed information about the Plan is contained in the Summary Plan Description which is available from the CTS Corporation (“CTS” or “Employer”) Human Resources Department.

General

The Plan was established January 1, 1983, and provides the opportunity for eligible employees to make regular and systematic savings through salary reductions and to share a portion of the profits of CTS. The Plan is a defined contribution plan and is subject to Section 401(k) of the Internal Revenue Code (“IRC”) and the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”).

Participation

In general, employees are eligible to participate upon employment with CTS. Active employees can enroll in the Plan at any time. Employees hired after July 1, 2008, are automatically enrolled in the Plan after 30 days of continuous service at a contribution level of 3 percent unless the employee elects a different amount. The Plan also allows for automatic deferral escalation of 1 percent annually up to 10 percent.

Contributions

Employees hired prior to April 1, 2006, (nonbargaining unit employees) or prior to July 1, 2008, (bargaining unit employees at the Elkhart, Indiana facility) may elect to contribute to the Plan, in 1 percent increments, amounts ranging from 1 percent to 70 percent of their gross pay. CTS makes matching contributions of 50 percent of the participant’s voluntary contribution on the first 6 percent of the participant’s eligible compensation. No matching contributions are made on employee contributions in excess of 6 percent.

Employees hired after March 31, 2006, other than bargaining unit employees at the Elkhart, Indiana facility, and non-bargaining unit employees under the CTS Corporate Pension Plan (per Note 4) may elect to contribute to the Plan, in 1 percent increments, amounts ranging from 1 percent to 70 percent of their gross pay. CTS makes matching contributions of 100 percent of the participant’s voluntary contribution up to 3 percent of the participant’s eligible compensation and 50 percent of the participant’s voluntary contribution up to the next 2 percent of the participant’s eligible compensation. No matching contributions are made on employee contributions in excess of 5 percent. Bargaining unit employees hired at the Elkhart, Indiana facility after June 30, 2008 have the same matching contributions described above.

CTS provides supplemental contributions at the rate of 3 percent of compensation to nonexempt salaried and hourly employees not covered by a defined benefit plan who were hired before April 1, 2006, (nonbargaining unit employees) or July 1, 2008, (bargaining unit employees).

The Employer may also make an incentive contribution at the discretion of CTS management. All contributions are invested according to the elections specified by each participant. The Plan currently offers a money market fund, 28 mutual funds and CTS Corporation common stock as investment options for participants.

Asset Transfers

On October 2, 2013, CTS Corporation sold the CTS Electronics Manufacturing Solutions, Inc (“CTS EMS”) business unit to Benchmark Electronics, Inc. (“Benchmark”). As part of the sale agreement, the assets in the CTS Corporation Retirement Savings Plan associated with the employees that transferred from CTS EMS to Benchmark were transferred to Benchmark’s 401(k) plan. On March 13, 2014, the assets were liquidated and on March 14 the assets were transferred by wire. The gross amount of the assets transferred out, including loans of approximately \$525,530, was \$13,080,530. The net amount of assets transferred out was approximately \$12,555,000.

Vesting

Participants are immediately vested in their contributions, as well as any matching and supplemental contributions, plus actual earnings.

Payment of Benefits

Following termination of service, if the participant’s account balance is less than \$5,000, the participant’s account must be distributed. If the account balance is less than \$1,000, the participant must take a lump-sum distribution of their account balance. Account balances between \$1,000 and \$5,000 are automatically rolled-over into an IRA managed by The Vanguard Group. Otherwise, the terminated participant may elect to receive a distribution of their vested account balance at any time. Active participants who have attained age 59 ½ or meet certain hardship criteria may elect an in-service distribution. Distributions under the Plan are in the form of a lump-sum payment. If the participant’s account contains money purchase funds from a prior plan, those funds may be paid in the form of a lump sum or an annuity.

Participant Accounts

Each participant’s account is credited (charged) with the participant’s contribution and allocations of (a) the Company’s contributions and (b) Plan earnings (losses), and may be charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as defined by the Plan.

Notes Receivable from Participants

Participants may borrow from their accounts a minimum of \$1,000 to a maximum amount equal to the lesser of \$50,000 or 50 percent of their account balance. The maximum term of a loan is five years. However, the Plan Administrator may extend the loan term beyond five years if the loan is used for the purpose of purchasing a principal residence. The loans bear interest at the prime rate, as conveyed by Reuters to The Vanguard Group, as of the first day of the month in which the loan is granted, plus 2 percent. The loans are collateralized by the participants' account balance. Participants may not borrow from prior plan money purchase or profit sharing contributions that are in their accounts.

Note 2: Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies followed in the preparation of the Plan's financial statements:

Basis of Accounting

The accounts of the Plan are maintained on the accrual basis of accounting.

Investments

Investments in securities traded on a national securities exchange are valued at their quoted market price on the last trading day of the Plan year. Investments in mutual funds are credited with actual earnings on the underlying investments and are valued at the net asset value of shares as determined primarily by quoted market prices.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on an accrual basis. Dividends are recorded on the ex-dividend data. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Notes Receivable from Participants

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent participant loans are reclassified as benefit payments based upon the terms of the plan document.

Payment of Benefits

Benefits are recorded when paid.

Expenses of the Plan

Administrative expenses may be paid by CTS or the Plan, at CTS' discretion.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan Administrator to make significant estimates and assumptions that affect the reported amounts of net assets available for benefits and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions to and deductions from net assets available for benefits during the reporting period. Actual results could differ from those estimates.

Note 3: Administration of the Plan

The Plan Administrator is the CTS Corporation Benefit Plan Administration Committee. The Plan Trustee is the Vanguard Fiduciary Trust Company. The Vanguard Group, an agent of Vanguard Fiduciary Trust Company, is the depository for the Plan's assets and invests funds in accordance with the Trust Agreement.

Note 4: Plan Amendments

Beginning January 1, 2014, the non-bargaining unit employees under the CTS Corporation Pension Plan will be eligible to receive an increased company-match on the 401(k) salary deferral. CTS will match the contributions at the rate of 100 percent on the first 3 percent and 50 percent on the next 2 percent of contributions. This enhancement increases CTS' match to the same 401(k) benefit level as other US-based non-union employees.

Note 5: Investments

The investments reflected in the Statements of Net Assets Available for Benefits represent the majority of assets in the Plan as of December 31, 2014 and 2013. The following is a summary of the Plan's participant directed investments, at fair value, which were 5 percent or more of the Plan's net assets available for benefits at December 31:

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Investments	2014	2013
Money Market Funds		
Vanguard Prime Money Market Fund	\$ 11,653,303	\$ 13,368,231
Mutual Funds		
American Funds Growth Fund of American R4 Fund	9,008,925	10,513,063
American Funds Fundamental R4 Fund	8,612,362	9,178,373
PIMCO Total Return Fund	8,129,165	10,619,160
Vanguard 500 Index Fund	7,178,755	7,112,095
GAMCO Growth Fund, Class AAA	7,046,130	7,404,730
Vanguard Target Retirement 2025 Fund	6,355,176	5,430,467
Vanguard Target Retirement 2020 Fund	5,948,850	5,666,332
American Funds EuroPacific Growth R4 Fund	N/A	5,083,307

During 2014, the Plan's investments (including gains and losses and investments bought and sold, as well as held during the year) (depreciated) appreciated in value as follows:

	2014
CTS Corporation common stock	\$ (472,109)
Mutual funds	1,934,040
	\$ 1,461,931

Note 6: Plan Termination

Although it has not expressed any intent to do so, CTS has the right under the Plan to terminate the Plan subject to the provisions of ERISA.

Note 7: Tax Status

The Internal Revenue Service has determined and informed CTS by a letter dated January 13, 2012, that the Plan and related trust are designed in accordance with applicable sections of the IRC. The Plan has been amended since receiving the determination letter. However, the Plan Administrator believes that the Plan is designed and continues to be operated in compliance with the applicable requirements of the IRC. With a few exceptions, the Plan is no longer

subject to U.S. federal, state and local or non-U.S. income tax examinations by tax authorities for years before 2011.

Note 8: Party-In-Interest Transactions

Certain Plan investments held at December 31, 2014 and 2013, are shares of mutual funds managed by Vanguard Fiduciary Trust Company. Vanguard Fiduciary Trust Company is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions.

In addition, Plan investments at December 31, 2014 and 2013, also include shares of CTS Corporation common stock. At December 31, 2014 and 2013, fair value of the shares of common stock held by the Plan was \$3,718,029 and \$4,899,612, respectively. CTS Corporation is the Plan Sponsor as defined by the Plan and, therefore, transactions related to the common stock qualify as party-in-interest transactions.

CTS provides certain accounting, recordkeeping and administrative services to the Plan for which it receives no compensation.

Certain Plan investments at December 31, 2014 and 2013, were managed by agents of the trustee.

Note 9: Disclosures About the Fair Value of Plan Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs may be used to measure fair value:

Level 1 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 can be corroborated by observable market

data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of net assets available for benefits, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2014. The Plan had no liabilities measured at fair value on a recurring basis. In addition, the Plan had no assets or liabilities measured at fair value on a nonrecurring basis.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include common stock, mutual funds, and money market funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. The Plan does not hold any Level 2 securities. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Plan does not hold any Level 3 securities.

The following table presents the fair value measurements of assets recognized in the accompanying statements of net assets available for benefits measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2014 and 2013:

	2014			
	Fair Value	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock				
Technology	\$ 3,718,029	\$ 3,718,029	\$ —	\$ —
Mutual funds				
Fixed income				
Intermediate-term bond	8,129,165	8,129,165	—	—
Balanced				
Target-date	26,865,969	26,865,969	—	—
Moderate allocation	4,825,314	4,825,314	—	—
U.S. equity				
Large-cap value	3,408,903	3,408,903	—	—

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Large-cap blend	8,612,362	8,612,362	—	—
Large-cap blend, index	7,178,755	7,178,755	—	—
Large-cap growth	16,055,055	16,055,055	—	—
Mid-cap value	595,871	595,871	—	—
Mid-cap blend	2,053,486	2,053,486	—	—
Mid-cap blend, index	1,819,771	1,819,771	—	—
Mid-cap growth	637,108	637,108	—	—
Small-cap blend	237,356	237,356	—	—
Small-cap blend, index	2,643,061	2,643,061	—	—
International equity				
International value	556,738	556,738	—	—
International blend, index	2,753,897	2,753,897	—	—
International growth	4,087,136	4,087,136	—	—
Money market funds	11,653,303	11,653,303	—	—
Total	\$ 105,831,279	\$ 105,831,279	\$ —	\$ —

2013

	Fair Value	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock				
Technology	\$ 4,899,612	\$ 4,899,612	\$ —	\$ —
Mutual funds				
Fixed income				
Intermediate-term bond	10,619,160	10,619,160	—	—
Balanced				
Target-date	25,086,758	25,086,758	—	—
Moderate allocation	5,657,618	5,657,618	—	—
U.S. equity				
Large-cap value	4,054,641	4,054,641	—	—
Large-cap blend	9,178,373	9,178,373	—	—
Large-cap blend, index	7,112,095	7,112,095	—	—
Large-cap growth	17,917,793	17,917,793	—	—
Mid-cap value	536,506	536,506	—	—
Mid-cap blend	2,825,661	2,825,661	—	—
Mid-cap blend, index	2,213,239	2,213,239	—	—
Mid-cap growth	1,058,858	1,058,858	—	—
Small-cap blend	679,451	679,451	—	—
Small-cap blend, index	3,620,073	3,620,073	—	—
International equity				
International value	1,238,691	1,238,691	—	—
International blend, index	2,885,011	2,885,011	—	—

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International growth	5,083,307	5,083,307	—	—
Money market funds	13,368,231	13,368,231	—	—
Total	\$ 118,035,078	\$ 118,035,078	\$ —	\$ —

Note 10: Reconciliation of Financial Statements to Form 5500

Differences between the Annual Return/Report of Employee Benefit Plan (Form 5500) filed with the Internal Revenue Service and the accompanying financial statements include reporting \$13,486 as receivable from employer and \$21,408 as receivable from participants for 2014. These receivables have not been included in the Statement of Net Assets Available for Benefits as of December 31, 2014 and the Statement of Changes in Net Assets Available for Benefits for the year ended December 31, 2014.

Note 11: Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the participants' account balances and the amounts reported in the statement of net assets available for benefits.

Note 12: Subsequent Events

Management of the Plan has evaluated subsequent events from December 31, 2014 through June 11, 2015, the date these financials were available to be issued. There were no subsequent events that require recognition or additional disclosure in the Plan's financial statements.

CTS Corporation Retirement Savings Plan

Schedule H, Line 4i – Schedule of Assets (Held at End of Year)

December 31, 2014

Identify of Issue Borrower, Lessor or Similar Party	Description of Investments Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	Current Value**
* Vanguard Prime Money Market Fund	Money Market Fund (11,653,303 shares)	\$ 11,653,303
* CTS Corporation	CTS Corporation Common Stock, no par value (208,526 shares)	3,718,029
American Funds EuroPacific Growth R4 Fund	Mutual Fund (88,351 shares)	4,087,136
American Funds Fundamental R4 Fund	Mutual Fund (165,750 shares)	8,612,362
American Funds Growth Fund of America R4 Fund	Mutual Fund (212,625 shares)	9,008,925
Fidelity Value Fund	Mutual Fund (5,261 shares)	595,871
GAMCO Growth Fund, Class AAA	Mutual Fund (144,004 shares)	7,046,130
Morgan Stanley Institutional Mid Cap Growth Fund	Mutual Fund (17,062 shares)	637,108
Oakmark Equity and Income Fund	Mutual Fund (151,216 shares)	4,825,314
Royce Pennsylvania Mutual Investment Fund	Mutual Fund (18,258 shares)	237,356
PIMCO Total Return Fund	Mutual Fund (762,585 shares)	8,129,165
Royce Premier Fund	Mutual Fund (106,233 shares)	2,053,486
T. Rowe Price Equity Income Fund	Mutual Fund (103,930 shares)	3,408,903
* Vanguard 500 Index Fund	Mutual Fund (37,805 shares)	7,178,755
Vanguard International Value Fund	Mutual Fund (16,399 shares)	556,738
* Vanguard Mid-Cap Index Fund	Mutual Fund (53,967 shares)	1,819,771
Vanguard Small-Cap Index Fund	Mutual Fund (47,316 shares)	2,643,061
* Vanguard Target Retirement 2010 Fund	Mutual Fund (39,151 shares)	1,030,460
* Vanguard Target Retirement 2015 Fund	Mutual Fund (264,592 shares)	4,045,609
* Vanguard Target Retirement 2020 Fund	Mutual Fund (209,025 shares)	5,948,850

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Vanguard Target Retirement * 2025 Fund	Mutual Fund (384,463 shares)	6,355,176
Vanguard Target Retirement * 2030 Fund	Mutual Fund (119,246 shares)	3,462,897
Vanguard Target Retirement * 2035 Fund	Mutual Fund (138,716 shares)	2,474,695
Vanguard Target Retirement * 2040 Fund	Mutual Fund (39,240 shares)	1,167,796
Vanguard Target Retirement * 2045 Fund	Mutual Fund (32,285 shares)	602,112
Vanguard Target Retirement * 2050 Fund	Mutual Fund (14,630 shares)	433,355
Vanguard Target Retirement * 2055 Fund	Mutual Fund (4,588 shares)	146,726
Vanguard Target Retirement * 2060 Fund	Mutual Fund (2,985 shares)	84,185
Vanguard Target Retirement * Income Fund	Mutual Fund (86,298 shares)	1,114,108
Vanguard Total International * Stock Index Fund	Mutual Fund (177,099 shares)	2,753,897 90,459,947
* Participant loans	Interest rates ranging from 4.25% to 11.5%, due from February 5, 2015 to November 8, 2024 (280 Loans)	1,638,024
Total assets		\$ 107,469,303

* Party-in-interest

** Historical cost information is not required for participant directed investments.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CTS CORPORATION
Retirement Savings Plan

By: /s/ Ashish
Agrawal
Name: Ashish
Agrawal
CTS
Corporation
Benefit Plan
Administration
Committee

Date: June 11, 2015

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EXHIBIT INDEX

Exhibit No.	Exhibit Description
23(a)	Consent of Grant Thornton LLP