

Avery Dennison Corp
Form 11-K
June 24, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS AND SIMILAR PLANS PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One):

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

For the fiscal year ended December 31, 2014

OR

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

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For the transition period from _____ to _____

Commission file number 1-7685

AVERY DENNISON CORPORATION EMPLOYEE SAVINGS PLAN

(Full title of the plan and the address of the plan,
if different from that of the issuer named below)

AVERY DENNISON CORPORATION

207 Goode Avenue

Glendale, California 91203

(Name of the issuer of the securities held pursuant to the plan
and the address of its principal executive office)

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AVERY DENNISON CORPORATION

EMPLOYEE SAVINGS PLAN

FISCAL YEAR 2014 ANNUAL REPORT ON FORM 11-K

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Administrator of

Avery Dennison Corporation Employee Savings Plan:

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of Avery Dennison Corporation Employee Savings Plan (the Plan) at 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. 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.

The supplemental schedule of delinquent participant contributions for the year ended December 31, 2014, and schedule of assets (held at end of year) as of December 31, 2014 have been subjected to audit procedures performed in conjunction with the audit of the Plan s financial statements. The supplemental schedules are the responsibility of the Plan s management. Our audit procedures included determining whether the supplemental schedules reconcile to the 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 schedules. In forming our opinion on the supplemental schedules, we evaluated whether the supplemental schedules, including their form and content, are 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 schedule of delinquent participant contributions and schedule of assets (held at end of year) are fairly stated, in all material respects in relation to the financial statements as a whole.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California

June 24, 2015

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EMPLOYEE SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

(In millions)	2014	December 31,	2013
ASSETS			
Investments, at fair value	\$ 786.1		\$ 856.3
Receivables:			
Notes receivable from participants	18.3		18.1
Other receivables	1.2		1.8
Total assets	805.6		876.2
LIABILITIES			
Other payables	.4		.8
Total liabilities	.4		.8
Net assets, reflecting investments at fair value	805.2		875.4
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(2.5)		(1.5)
Net assets available for benefits	\$ 802.7		\$ 873.9

See Notes to Financial Statements

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AVERY DENNISON CORPORATION
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STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

(In millions)	2014
Additions:	
Investment income:	
Interest income	\$ 2.6
Dividend income	7.4
Net appreciation in fair value of investments	22.6
Net investment income	32.6
Interest on notes receivable from participants	.7
Contributions:	
Participant contributions	29.7
Employer contributions	19.3
Total contributions	49.0
Total additions	82.3
Deductions:	
Benefits paid to participants	(132.0)
Administrative expenses	(.4)
Total deductions	(132.4)
Net decrease in net assets available for benefits before plan transfers	(50.1)
Plan transfers	(21.1)
Net decrease in net assets available for benefits	(71.2)
Net assets available for benefits:	
Beginning of year	873.9
End of year	\$ 802.7

See Notes to Financial Statements

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NOTES TO FINANCIAL STATEMENTS

1. Summary Description of the Plan

The following description of the Avery Dennison Corporation Employee Savings Plan (the Plan) is provided for financial reporting purposes only. For information regarding the terms and conditions of the Plan for benefit purposes, participants should refer to the Plan document.

General

The Plan covers eligible U.S. employees of Avery Dennison Corporation (the Company), the Plan Sponsor and Plan Administrator. The Plan is a defined contribution plan subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended and restated (ERISA).

The Plan is a safe harbor 401(k) plan under the Internal Revenue Code (IRC).

Employer Contributions

The Company contribution consists of an automatic contribution equal to three percent of an eligible employee's eligible compensation regardless of his or her contributions to the Plan, and a matching contribution of 50 percent of the first six percent of eligible compensation that is contributed by an eligible employee each pay period.

An additional Company contribution feature provides an annual true-up contribution to ensure that participants receive the maximum Company matching contribution for which they are eligible. At the end of each year, the maximum Company matching contribution is calculated using the participant's annualized average contribution percentage. If the participant's actual Company matching contribution received for the year is less than the calculated maximum Company matching contribution, then the difference is deposited as a lump sum in the eligible participant's account as soon as administratively feasible following the Plan year end.

Effective November 2014, Company contributions may be made in Company stock or cash, at the Company's option. Cash contributions are invested according to participant elections on file. If contributions are made in the form of Company stock, the shares are automatically exchanged for cash, and proceeds are invested according to participant elections on file. Company contributions made prior to November 2014 were invested in the Company Unitized Stock Fund, a fund that, in addition to cash, primarily invests in Company common stock. Once the

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contribution was credited to a participant's account in the form of units in the fund, a participant could elect to direct his or her units to other available investment options at any time, subject to restrictions on transfer for certain employees at certain times, in accordance with the Company's insider trading policy.

Participant Contributions

Eligible employees are automatically enrolled in the Plan with a six percent pre-tax contribution rate after 30 days of employment, unless the employee affirmatively elects not to participate. Participants direct the investment of their contributions into available investment options offered under the Plan. If a participant does not make an investment election for his or her contributions, the contributions are invested in the qualified default investment alternative under the Plan.

All participants can contribute any whole percentage (up to 100 percent) of their eligible earnings as pre-tax contributions and between one to 25 percent of their eligible earnings as after-tax contributions, in each case subject to applicable Internal Revenue Service (IRS) contribution limits. Participants can make one election that covers their regular pre-tax contributions and, if eligible, their catch-up contributions, subject to applicable IRS contribution limits.

At the start of each calendar year, participants' contributions will default to their pre-tax contribution election on file. A pre-tax contribution election automatically switches to an after-tax contribution election (referred to as the spillover feature) once a participant reaches his or her IRS annual pre-tax contribution limit during a calendar year, which remains in effect for the remainder of the year. Participants have the opportunity to opt out of the automatic

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spillover feature and stop their employee contributions once they reach the IRS annual pre-tax contribution limit for the given year.

Participant Accounts

Each participant's account is credited with the participant's contributions, the Company's contributions, and earnings on all such contributions. The participant's entire benefit from the Plan is provided from the participant's vested account balance.

Stock Holding and Retirement Enhancement (SHARE) accounts were held under the Plan for participants who participated in the Company's SHARE account, which merged into the Plan effective November 30, 1997. SHARE accounts held Company stock investments that participants could elect to transfer to other investment funds available under the Plan, subject to restrictions on transfer for certain employees at certain times, in accordance with the Company's insider trading policy.

In December 2013, the Plan was amended and restated to require participants with a SHARE account under the Plan to make a decision about their SHARE account assets during an election window in 2014. Active participants were required to make an early election about their SHARE account, which allowed them to transfer their SHARE account into the Avery Dennison Pension Plan (ADPP) or to leave it in the Plan. Active participants who did not elect to transfer their SHARE account into the ADPP had their retirement benefit under the ADPP offset (reduced) by the annuity equivalent of their SHARE account assets. Inactive participants with a SHARE account were previously given an opportunity to transfer their SHARE account into the ADPP when their employment terminated and were not given another opportunity to transfer their SHARE account into the ADPP in 2014. However, during the election window, they were given the opportunity to take a distribution of their SHARE account, or to leave their SHARE account in the Plan. In the fourth quarter of 2014, all participants with a SHARE account completed their elections and the existing SHARE accounts were terminated.

Based on participant elections, the Company transferred \$21.1 million from SHARE accounts held under the Plan to the ADPP during the year ended December 31, 2014.

Rollovers

Eligible employees are permitted to make rollover contributions of eligible rollover distributions into the Plan, including direct rollovers.

Vesting and Forfeitures

Employee contributions and earnings thereon are immediately 100 percent vested. Company contributions and earnings thereon are 100 percent vested after two years of service. Vesting in Company contributions can occur as of an earlier date upon a participant's death or 65th birthday or if the Plan is terminated or discontinued, provided that the participant is an employee at that time. In addition, participants who die while performing qualified military service are fully vested in their Company contributions (and earnings) under the Plan. All SHARE accounts are 100 percent vested.

If a participant's employment terminates prior to vesting, all Company contributions and earnings thereon are forfeited, and may be used to pay administrative expenses of the Plan or to offset future Company contributions. The amount of forfeitures used to offset Company contributions and pay administrative expenses of the Plan was \$1.6 million and \$.1 million, respectively, for the year ended December 31, 2014. The amount of forfeitures available to pay administrative plan expenses and offset future contributions as of December 31, 2014 and December 31, 2013 was \$.6 million and \$.1 million, respectively.

Payment of Benefits

Participants generally receive their vested account balance when they retire or terminate employment with the Company. Participants may make hardship withdrawals, withdrawals at age 59 ½, and certain other withdrawals from specified vested accounts during their employment, subject to legal and/or Plan restrictions and requirements.

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Notes Receivable from Participants

Participants have the right, subject to certain limitations and requirements, to borrow from certain accounts. In general, loans cannot exceed 50 percent of the participant's vested account balance at the time the loan is made and must bear reasonable interest rates commensurate with interest rates charged by persons in the business of lending money for loans made under similar circumstances. At the time that each loan is made, the interest rate is established as of the first day of each plan quarter and fixed at a rate equal to the prime rate (as published by Reuters) plus one percent. Each loan is an asset of the applicable participant's account on the date of borrowing. The loan must be repaid within five years, unless the loan is for the purchase of a principal residence, in which case the loan term may be five, ten, or 15 years, as elected by the participant. Interest payments are credited to the applicable participant's account.

Administrative Expenses

Investment management fees and certain administrative expenses are paid by the Plan, as permitted by law. All other administrative expenses of the Plan are paid by the Company.

Plan Termination

The Company currently intends to continue the Plan. However, the Company reserves the right to change, amend, terminate or discontinue the Plan at any time, subject to applicable laws and regulations. In the event of Plan termination, each affected participant would become 100 percent vested in his or her Company contributions and all of the assets in participant accounts would be distributed to the participants (or their beneficiaries).

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (GAAP).

Recent Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board (FASB) issued guidance on disclosures for investments in certain entities that calculate net asset value (NAV) per share or its equivalent. Under this amendment, investments for which fair value is measured at NAV using the practical expedient should not be categorized in the fair value hierarchy. The guidance is effective for periods beginning after December 15, 2015. Early application is permitted. We do not anticipate application of this guidance to have a material impact on the Plan s financial statements.

Risks and Uncertainties

The Plan s assets are invested at participants discretion in various investment fund options available under the Plan. The value, liquidity, and related income of these securities are exposed to various risks, such as changes in interest rates, foreign currency exchange rates, credit quality, and volatility with respect to the holdings within individual funds, as well as to changes in global economic conditions, including real estate values, delinquencies and defaults, and the outlook and performance of financial markets. It is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants account balances and the amounts reported in the Statement of Net Asset Available for Benefits.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions for the reporting period and as of the financial statement date. These estimates and assumptions affect the reported amounts of net assets available for benefits and the reported amounts of changes in net assets available for benefits. Actual results could differ from these estimates.

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Investment Contracts

Investment contracts held 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 permitted transactions under the terms of the Plan. The Statements of Net Assets Available for Benefits present the fair value of the investment contracts as well as the adjustments for the fully benefit-responsive investment contracts from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared using the contract value basis for fully benefit-responsive investment contracts. Refer to Note 4, Investment Contracts, for more information.

Valuation of Investments

Investments are reported at fair value. Refer to Note 5, Fair Value Measurements, for more information.

Notes Receivable from Participants

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. No allowance for credit losses has been recorded as of December 31, 2014 or 2013. If a participant ceases to make loan repayments and the Plan Administrator deems the participant loan to be in default, the participant loan balance would be reduced and a benefit payment would be recorded.

Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Dividend income is accrued on the ex-dividend date. Interest income from other investments is accrued as earned.

Realized gains or losses on sales of securities are computed on an average cost basis. Unrealized appreciation or depreciation in the fair value of investments is the change in their fair value during the Plan's fiscal year.

Net appreciation in the fair value of investments includes gains and losses on investments bought, sold and held during the year, and is reported in the Statement of Changes in Net Assets Available for Benefits.

Contributions

Participant and employer contributions are recorded on an accrual basis. Employer contributions are reported net of forfeiture credits used to offset contributions.

Benefit Payments

All benefits are payable from net assets available for benefits. Benefits are recorded when paid.

Subsequent Events

Management evaluated subsequent events through the date the financial statements were issued.

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3. Investments

The fair value of individual investments representing five percent or more of the Plan's net assets available for benefits at each of the presented Plan years ended is as follows:

(Dollars in millions, except share amounts)	December 31,	
	2014	2013
Aon Hewitt Growth Fund: 17,784,086 and 0 shares, respectively	\$ 179.9	\$
Company common stock: 3,348,064 and 4,341,060 shares, respectively	173.7	217.9
LifePath® Index 2030 Non-Lendable Fund G: 4,253,257 and 0 shares, respectively	57.8	
LifePath® Index 2020 Non-Lendable Fund G: 4,282,615 and 0 shares, respectively	55.2	
Fidelity Freedom Fund K 2020: 0 and 3,705,379 shares, respectively		