

POLYONE CORP
Form 11-K
June 24, 2016

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
For the fiscal year ended December 31, 2015

OR

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

For the transition period from _____ to _____ .
Commission file number 1-16091

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

PolyOne Retirement Savings Plan

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

PolyOne Corporation
33587 Walker Road
Avon Lake, Ohio 44012

PolyOne Retirement Savings Plan
Audited Financial Statements and Supplemental Schedule

| | |
|--|-----|
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Report of Independent Registered Public Accounting Firm

The PolyOne Retirement Savings Plan
Retirement Plan Committee

We have audited the accompanying statements of net assets available for benefits of the PolyOne Retirement Savings Plan (the "Plan") as of December 31, 2015 and 2014, and the related statement of changes in net assets available for benefits for the year ended December 31, 2015. 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 audits 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 audit 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 the Plan's 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 as of December 31, 2015 and 2014, and the changes in its net assets available for benefits for the year ended December 31, 2015, 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, 2015 has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental information is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental information reconciles 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 information. In forming our opinion on the supplemental information, 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 under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Plante & Moran, PLLC

Cleveland, Ohio

June 24, 2016

PolyOne Retirement Savings Plan
Statements of Net Assets Available for Benefits

| | December 31, | |
|-----------------------------------|---------------|---------------|
| | 2015 | 2014 |
| Assets | | |
| Investments, at fair value | \$465,619,074 | \$489,985,041 |
| Contributions receivable | 974,327 | 281,552 |
| Participant notes receivable | 10,614,271 | 10,572,228 |
| Net assets available for benefits | \$477,207,672 | \$500,838,821 |

See Accompanying Notes to the Financial Statements.

PolyOne Retirement Savings Plan
Statement of Changes in Net Assets Available for Benefits

| | Year ended December 31, 2015 |
|---|------------------------------------|
| Additions | |
| Interest and dividend income | \$ 18,606,112 |
| Contributions | |
| Participant | 13,698,078 |
| Employer | 11,495,467 |
| Rollover | 2,317,566 |
| Other | 283,402 |
| Net realized and unrealized losses in fair value of investments | (26,725,578) |
| Interest on participant notes receivable | 460,240 |
| Total Additions | 20,135,287 |
| Deductions | |
| Benefits paid directly to participants | 43,582,186 |
| Administrative expenses | 184,250 |
| Total Deductions | 43,766,436 |
| Net decrease in assets available for benefits | (23,631,149) |
| Net Assets Available for Benefits | |
| Beginning of year | 500,838,821 |
| End of year | \$477,207,672 |

See Accompanying Notes to the Financial Statements.

PolyOne Retirement Savings Plan
Notes to Financial Statements

1. Summary Description of the Plan

General

The PolyOne Retirement Savings Plan (the Plan) is a defined contribution plan that covers all employees of PolyOne Corporation (the Company or Plan Administrator) and its' subsidiaries, other than leased employees, nonresident aliens, other employees regularly employed outside of the United States, and persons classified by the Company as anything other than employees (even if that classification is later changed). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

The following summary description of the Plan is provided for general information purposes only. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

The Plan is sponsored by the Company and is administered by the PolyOne Corporation Retirement Plan Committee (the Retirement Plan Committee).

Contributions

Employee

Participants may elect a bi-weekly payroll deduction from 1% to 50% of eligible earnings. The Retirement Plan Committee has the authority, at its discretion, to reduce the employees' bi-weekly contribution percentage in order to maintain the tax-qualified status of the Plan.

The Plan offers participants the choice of after-tax savings and a pre-tax savings options. Participants may elect to participate in one or both of the savings options. Under both savings options, participants may direct that contributions be invested in any eligible funds offered by the Plan. Participants may change their investment options daily.

The Plan provides for the acceptance of rollover contributions from other plans qualified under the Internal Revenue Code, provided certain conditions are met.

Employer

The Company provides for a matching contribution equal to 100% of the first 3% and 50% of the next 3% of the participant's eligible deferred compensation. For each payroll period, the Company intends to make a retirement contribution for each participant equal to no less than 2% of eligible earnings, regardless of participation. Both the employer's matching contributions and the 2% retirement contributions follow participants' investment elections. Forfeiture balances result from participant terminations within the Plan and represent the related unvested balance. The forfeiture account in the Plan totaled \$222,503 and \$252,592 at December 31, 2015 and 2014, respectively. The balance in this account will be used to fund future Company contributions. Forfeitures used to offset Company contributions totaled \$278,729 during the period ended December 31, 2015.

Vesting

Participant contributions and Company matching contributions are fully vested immediately. Company retirement contributions are 100% vested after three years of service.

Participant Notes Receivable

Participants may borrow a maximum amount equal to the lesser of 50% of their vested account balance (excluding certain employer contributions) or \$50,000, subject to certain Department of Labor and Internal Revenue Service requirements. The Plan provides that loan amounts must be a minimum of \$1,000. The notes receivable are collateralized by the participant's vested account balance. Interest is charged to the borrower at the prime rate of the trustee (John Hancock Trust Company) plus 1%. Payments on notes receivable are made through payroll deductions and must be repaid within five years (personal loans) or five to fifteen years (primary residence loans).

Plan Withdrawals and Distributions

Active participants may make hardship withdrawals from their salary deferral and rollover account. Age-based in-service withdrawals are available from the participants' vested account balance.

Plan distributions are made to participants or their designated beneficiary upon normal retirement, disability, or death, in the full amounts credited to their participant account. A participant who leaves employment of the Company before normal retirement for reasons other than disability, death, or a reduction in workforce is eligible to receive all amounts credited to their account relating to participant contributions, including rollovers, and the vested portion of retirement and discretionary contributions. Distributions are made in either a single lump sum or periodic payments.

Additionally, employees of select merged plans may elect a portion in a lump sum with the remainder paid in periodic payments, a single life annuity for single participants, or a joint and 50% or 100% survivor annuity with the participant's spouse as the joint annuitant for married participants if these options were available under their previous plan.

Plan Termination

Although the Company has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. Upon either of these events, the accounts of each affected employee will vest immediately, and participants will receive a distribution of their total participant account balance.

Administrative Expenses

The Plan has entered into agreements with certain service providers for the Plan to receive certain fee rebates which are generally used to pay administrative expenses of the Plan. Participants are charged investment management fees, which are allocated to participant accounts.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared using the accrual basis of accounting.

Recently Adopted Accounting Standards

In May 2015, the FASB issued Accounting Standards Update 2015-07, "Disclosures for Investments In Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)" (ASU 2015-07). ASU 2015-07 amended ASC 820, "Fair Value Measurements," and removed the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also limit certain disclosures for investments for which the entity has elected to measure at fair value using the net asset value per share practical expedient. This standard was early adopted and applied retrospectively and had no impact on the Plan's net assets or changes in net assets.

In July 2015, the FASB issued Accounting Standards Update 2015-12, "Plan Accounting: Defined Benefit Plan (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): (Part I) Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosures, (Part III) Measurement Date Practical Expedient" (ASU 2015-12). Part I designates contract value as the only required measure for fully benefit-responsive investment contracts (FBRIC). Part II simplifies the investment disclosure requirements under ASC Topic 820 and ASC Topic 962 for employee benefit plans. Part III provides an alternative measurement date for fiscal periods that do not coincide with a month-end date. This standard was early adopted and applied retrospectively.

The Plan holds the Anchor Account, which is comprised of the New York Life Insurance Company's Pooled Separate Account, and this investment meets the criteria for measurement and presentation at net asset value per share or its equivalent. The Statements of Net Assets Available for Benefits and Note 4, Fair Value Measurements, as of December 31, 2014 have been changed to conform to the disclosure presented for the year ended December 31, 2015. This change resulted from a clarification on indirect investments in fully benefit-responsive investment contracts within ASU 2015-12. There was no impact on the total net assets presented in the Statements of Net Assets Available for Benefits or in the Statement of Changes in Net Assets Available for Benefits as a result of this change.

Reclassifications

Certain reclassifications of the prior period amounts and presentation have been made to conform to the presentations for the current period as a result of the recently adopted accounting standards.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan's management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Benefit Payments

Benefit payments are recorded when paid.

Participant Notes Receivable

Participant notes receivable are recorded at their unpaid principal balances plus any accrued interest. Participant notes receivable are written off when deemed uncollectible.

Valuation of Investments and Income Recognition

Investments are stated at fair value. Fair value is defined as 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 (an exit price). Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the Plan year. See Note 4, Fair Value Measurements, for further discussion and disclosures related to fair value measurements.

The Anchor Account is a pooled separate account made available to participating plans through a group annuity contract. The group annuity contract is an investment contract that is benefit-responsive, meaning it provides for a stated return on principal invested over a specified period and permits withdrawals at contract value for benefit payments, loans, or transfers to other investment options offered to the participant by the Plan.

3. Self-Directed Brokerage Accounts

In addition to the standard investment options of the Plan, brokerage accounts are available to Plan participants through TD Ameritrade Retirement Services, and are comprised of various investments made at the sole direction of the Plan participants. Interest and dividend income of \$419,302 and net realized and unrealized losses of \$2,230,542 associated with the brokerage accounts are reflected within the Statement of Changes in Net Assets Available for Benefits for the year ended December 31, 2015.

4. Fair Value Measurements

Fair value is defined as 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 (i.e., an exit price). The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. In accordance with Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 820, Fair Value Measurements and Disclosures, assets and liabilities measured at fair value are categorized into the following fair value hierarchy:

Level 1 - Fair value is based on quoted prices in active markets that are accessible to the Plan at the measurement date for identical assets or liabilities.

Level 2 - Fair value is based on inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability. These Level 2

inputs include quoted prices for similar assets in active markets, and other inputs such as interest rate and yield curves that are observable.

Level 3 - Fair value is based on unobservable inputs for the assets or liability. Level 3 inputs include the Plan's management's own assumption about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The level in the fair value hierarchy within which the fair value measurement is classified is determined based on the lowest level input that is significant to the fair value measure in its entirety. The Plan's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset. The following is a description of the valuation methodologies used for assets measured at fair value, including the general classification of such assets pursuant to the valuation hierarchy.

The Plan's investments are stated at fair value. Shares of common stock and mutual funds are valued based on quoted active market prices and are classified within Level 1 of the valuation hierarchy. The Plan holds interests in a Stable Value Fund, which consists of an investment in the Anchor Account, which is not traded in an active market, and is valued at the net asset value per share of the fund.

The fair values of the Plan's investments at December 31, 2015 and 2014, by asset category, are as follows:

| | Assets at Fair Value as of December 31, 2015 | |
|----------------------------------|---|----------------------------|
| | Total | Quoted Prices (Level 1) |
| Mutual funds | \$300,030,231 | \$300,030,231 |
| Common stock - domestic | 64,198,394 | 64,198,394 |
| Short-term investments | 2,051,693 | 2,051,693 |
| Self-directed brokerage accounts | 18,879,421 | 18,879,421 |
| Total | \$385,159,739 | \$385,159,739 |

Investments measured at net asset value:

| | |
|---|---------------|
| Pooled separate account - Stable value fund | 80,459,335 |
| Total investments, at fair value | \$465,619,074 |

| | Assets at Fair Value as of December 31, 2014 | |
|----------------------------------|---|----------------------------|
| | Total | Quoted Prices (Level 1) |
| Mutual funds | \$300,196,854 | \$300,196,854 |
| Common stock - domestic | 86,126,743 | 86,126,743 |
| Short-term investments | 2,155,006 | 2,155,006 |
| Self-directed brokerage accounts | 20,926,268 | 20,926,268 |
| Total | \$409,404,871 | \$409,404,871 |

Investments measured at net asset value:

| | |
|---|---------------|
| Pooled separate account - Stable value fund | 80,580,170 |
| Total investments, at fair value | \$489,985,041 |

The Plan's policy is to recognize transfers in and out of the fair value hierarchy as of the beginning of the period for which the transfer occurred. There were no significant transfers between levels of the fair value hierarchy during 2015 and 2014.

Investments in Entities that Calculate Net Asset Value Per Share

The New York Life Insurance Company Anchor Account (the Stable Value Fund) is invested in high-quality fixed income securities. It seeks to provide a low-risk stable investment, offering competitive yields and limited volatility, with guarantee of principal and accumulated interest. There were no unfunded commitments related to the Anchor

Account.

Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. Withdrawals and transfers resulting from certain events, including employer initiated events may limit the ability of the

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fund to transact at contract value. These events may cause liquidation of all or a portion of a contract at market value. The Plan Administrator believes that the occurrence of any event which would limit the Plan's ability to transact at contract value is not probable. Further, the Plan is required to provide a one-year redemption notice to liquidate its entire share in the fund.

5. 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 participants' account balances and the amounts reported in the statements of net assets available for benefits.

6. Related Party Transactions

The Plan holds units of a pooled separate account fund managed by the Trustee. The Plan also invests in the common stock of the Company. These transactions qualify as party-in-interest transactions; however, they are exempt from the prohibited transactions rules under ERISA.

7. Income Tax Status

In 2014, the Plan received a determination letter from the Internal Revenue Service stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code and, therefore, the related trust is exempt from taxation. The Plan is required to operate in conformity with the Code to maintain its qualification. The Plan Administrator believes the Plan is being operated in compliance with the applicable requirements of the Code, and therefore, believes that the Plan continues to be qualified and the related trust is tax exempt.

Accordingly, no provision for income taxes has been made in the accompanying statements. The Plan is no longer subject to income tax examinations for years prior to 2012.

8. Reconciliation of Financial Statements to the Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500:

| | December 31, 2015 | 2014 |
|---|----------------------|----------------|
| Net assets available for benefits per the financial statements | \$ 477,207,672 | \$ 500,838,821 |
| Contributions receivable | (974,327) | (281,552) |
| Adjustment from fair value to contract value for fully benefit-responsive contracts | — | 451,249 |
| Net assets available for benefits per the Form 5500 | \$ 476,233,345 | \$ 501,008,518 |

The following is a reconciliation of the increase in net assets available for benefits per the financial statements to net income per Form 5500 for the year ended December 31, 2015:

| | December 31, 2015 |
|--|----------------------|
| Net increase before transfers in net assets per the financial statements | (23,631,149) |
| Adjustment to report the stable value fund at fair value for current year presentation | (451,249) |
| Change in contributions receivable | (692,775) |
| Net income per Form 5500 | \$(24,775,173) |

PolyOne Retirement Savings Plan
 EIN: 34-1730488 Plan Number: 001
 Schedule H, Line 4(i) - Schedule of Assets
 (Held at End of Year)
 Year Ended December 31, 2015

| (a) (b) Identity of Issuer, Borrower, Lessor or Similar Party | (c) Description of Investment | (d) Cost ** | (e) Current Value |
|---|--|----------------|-------------------------|
| PolyOne Stock Fund: | | | |
| PIMCO Money Market Fund Admin | 1,809,130 units | | \$2,051,693 |
| PolyOne Corporation Common Stock* | 2,021,360 shares | | 64,198,394 |
| Pooled Separate Account: | | | |
| New York Life Insurance Anchor Account* | 80,459,335 units | | 80,459,335 |
| Mutual Funds: | | | |
| American Funds - Washington Mutual Investors | 493,376 units | | 18,955,504 |
| American Funds - EuroPacific Growth | 523,720 units | | 23,708,801 |
| Mainstay MAP Fund I | 421,919 units | | 15,210,164 |
| T Rowe Price Retirement 2005 | 181,458 units | | 2,255,524 |
| T Rowe Price Retirement 2010 | 119,342 units | | 2,014,497 |
| T Rowe Price Retirement 2015 | 705,278 units | | 9,648,201 |
| T Rowe Price Retirement 2020 | 742,813 units | | 14,625,987 |
| T Rowe Price Retirement 2025 | 1,059,722 units | | 15,842,847 |
| T Rowe Price Retirement 2030 | 603,334 units | | 13,158,706 |
| T Rowe Price Retirement 2035 | 688,558 units | | 10,872,336 |
| T Rowe Price Retirement 2040 | 312,551 units | | 7,057,394 |
| T Rowe Price Retirement 2045 | 283,807 units | | 4,302,509 |
| T Rowe Price Retirement 2050 | 260,453 units | | 3,318,170 |
| T Rowe Price Retirement 2055 | 223,848 units | | 2,845,103 |
| Vanguard Institutional Index | 287,903 units | | 53,728,490 |
| Harbor Cap Appreciation Inst | 765,322 units | | 46,539,241 |
| IronBridge Frontegra SMID Inst | 1,768,486 units | | 21,504,789 |
| Vanguard Extended Market Index Fd Adm | 70,470 units | | 4,480,467 |
| Vanguard Total Int St Idx Adm | 64,965 units | | 1,574,757 |
| Vanguard Total Bond Mkt Ind Adm | 400,631 units | | 4,262,716 |
| Loomis Core Plus Bond Fund Y | 1,964,497 units | | 24,124,028 |
| Brokerage Account | Various investments | | 18,879,421 |
| Participant Loans* | At interest rates ranging from 4.25% to 9.75% | | 10,614,271 |
| | | | \$476,233,345 |

* Indicates party-in-interest to the Plan.

** Not required

SIGNATURE

The Plan. 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 hereunto duly authorized.

Date: June 24, 2016 POLYONE RETIREMENT SAVINGS PLAN

By: Retirement Plan Committee of the PolyOne Retirement Savings Plan

By: /s/ Bradley C. Richardson

Name: Bradley C. Richardson

Title: Executive Vice President and Chief Financial Officer

On Behalf of the Retirement Plan Committee