

CTS CORP
Form 11-K
June 20, 2012
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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, 2011.

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

Edgar Filing: CTS CORP - Form 11-K

(Title of Plan)

905 West Boulevard North

CTS Corporation
(Issuer of Securities)

Elkhart, IN 46514
(Address of Principal

Executive Offices)

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CTS Corporation Retirement Savings Plan

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December 31, 2011 and 2010

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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

Plan Administrator

CTS Corporation Retirement Savings Plan

Elkhart, Indiana

We have audited the accompanying statements of net assets available for benefits of CTS Corporation Retirement Savings Plan (the Plan) as of December 31, 2011 and 2010, and the related statement of changes in net assets available for benefits for the year ended December 31, 2011. 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 auditing 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. Our audits include 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 CTS Corporation Retirement Savings Plan as of December 31, 2011 and 2010, and the changes in its net assets available for benefits for the year ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information as listed in the table of contents 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 information is the responsibility of the Plan's management. Such information has been subjected to the auditing procedures applied in the audits 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.

BKD, LLP

Fort Wayne, Indiana

June 20, 2012

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CTS Corporation Retirement Savings Plan

Statements of Net Assets Available for Benefits

December 31, 2011 and 2010

	2011	2010
Assets		
Investments, at fair value	\$ 93,997,981	\$ 101,023,824
Receivables		
Notes receivable from participants	1,967,315	1,993,989
Employer contributions		19,448
Employee contributions		49,849
Total receivables	1,967,315	2,063,286
Net assets available for benefits	\$ 95,965,296	\$ 103,087,110

See Notes to Financial Statements.

Table of Contents**CTS Corporation Retirement Savings Plan****Statement of Changes in Net Assets Available for Benefits****Year Ended December 31, 2011****Additions**

Investment income (loss)	
Net depreciation in fair value of investments	\$ (4,220,241)
Dividends and interest income on investments	1,806,197
Net investment loss	(2,414,044)
Interest on notes receivable from participants	111,583
Contributions	
Employer	1,836,228
Employee	4,145,255
Rollovers	108,387
Total contributions	6,089,870
Total additions	3,787,409

Deductions

Benefits paid to participants	10,847,467
Administrative expenses	21,630
Other deductions	40,126
Total deductions	10,909,223

Net Decrease	(7,121,814)
Net Assets Available for Benefits, Beginning of Year	103,087,110

Net Assets Available for Benefits, End of Year	\$ 95,965,296
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See Notes to Financial Statements.

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CTS Corporation Retirement Savings Plan

Notes to Financial Statements

December 31, 2011 and 2010

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 (the Company 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 the Company. 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 the Company. 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) and all employees of the Moorpark, California; San Jose, California and Tucson, Arizona facilities may elect to contribute to the Plan, in 1 percent increments, amounts ranging from 1 percent to 70 percent of their gross pay. The Company makes matching contributions of 50 percent of the participant's voluntary contribution on the first 6 percent of the participant's eligible compensation. No Company 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 other than employees at the Moorpark, California; San Jose, California and Tucson, Arizona facilities may elect to contribute to the Plan, in 1 percent increments, amounts ranging from 1 percent to 70 percent of their gross pay. The Company 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 Company 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 this same Company matching contribution.

The Company matching contribution for all employees other than bargaining unit employees at the Elkhart, Indiana facility was suspended beginning with the payroll paid on February 27, 2009. The suspension ended with the payroll paid on January 15, 2010.

The Company 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) and who are not employed at the Moorpark, California; San Jose, California or Tucson, Arizona facilities.

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CTS Corporation Retirement Savings Plan

Notes to Financial Statements

December 31, 2011 and 2010

The Employer may also make an incentive contribution at the discretion of Company 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 a Company common stock fund as investment options for participants.

Vesting

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

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 ¹/₂ 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. Forfeited balances of terminated employees' nonvested accounts before July 1, 2008, were used to reduce future Company contributions. At December 31, 2010, there were no further non-vested forfeitures available to reduce future Company contributions.

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.

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CTS Corporation Retirement Savings Plan

Notes to Financial Statements

December 31, 2011 and 2010

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.

The Plan presents in its statement of changes in net assets available for benefits the net appreciation (depreciation) in the fair value of its investments which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments.

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 the Company or the Plan, at the Company's 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

Current Plan Year (2011)

The Plan was amended, effective January 1, 2009, to provide participants and beneficiaries the ability to have a one-year suspension of their minimum required distributions for the 2009 calendar year as permitted by law.

Prior Plan Year (2010)

The Plan Sponsor ended the temporary suspension of the Company matching contributions that began on February 27, 2009, for all non-bargaining unit employees on January 15, 2010. The Plan was also amended to use the current year method for non-discrimination testing

instead of the look-back year method.

Table of Contents**CTS Corporation Retirement Savings Plan****Notes to Financial Statements****December 31, 2011 and 2010****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, 2011 and 2010. 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:

Investments	2011	2010
Money Market Funds		
Vanguard Prime Money Market Fund	\$ 17,328,829	\$ 17,028,642
Mutual Funds		
PIMCO Total Return Fund	10,716,599	10,167,919
American Funds Growth Fund of America R4 Fund	7,454,734	8,573,480
American Funds Fundamental R4 Fund	7,031,973	7,715,270
GAMCO Growth Fund, Class AAA	5,862,100	6,771,252
Vanguard 500 Index Fund	5,542,693	5,982,161
Oakmark Equity and Income Fund; Class I Shares	5,426,781	6,259,268
American Funds EuroPacific Growth R4 Fund	5,074,749	6,327,783

During 2011, the Plan's investments (including gains and losses and investments bought and sold, as well as held during the year) depreciated in value as follows:

CTS Corporation common stock	\$ (721,544)
Mutual funds	(3,498,697)
	\$ (4,220,241)

Note 6: 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.

Note 7: Tax Status

The Internal Revenue Service has determined and informed the Company 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 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 2008.

Note 8: Party-In-Interest Transactions

Certain Plan investments held at December 31, 2011 and 2010, 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.

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CTS Corporation Retirement Savings Plan

Notes to Financial Statements

December 31, 2011 and 2010

In addition, Plan investments at December 31, 2011 and 2010, also include shares of CTS Corporation common stock. At December 31, 2011 and 2010, fair value of the shares of common stock held by the Plan was \$3,423,679 and \$4,512,701, 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.

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

Certain Plan investments at December 31, 2011 and 2010, were managed by agents of the trustee.

Note 9: Fair Value of Plan Assets

ASC Topic 820, *Fair Value Measurements*, defines fair value 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. Topic 820 also specifies a fair value hierarchy which requires a plan to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value under a fair value hierarchy. 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.

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.

Table of Contents**CTS Corporation Retirement Savings Plan****Notes to Financial Statements****December 31, 2011 and 2010**

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, 2011 and 2010:

		2011 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)
	Fair Value			
Common stock				
Technology	\$ 3,423,679	\$ 3,423,679	\$	\$
Mutual funds				
Fixed income				
Intermediate-term bond	10,716,599	10,716,599		
Balanced				
Target-date	12,763,425	12,763,425		
Moderate allocation	5,426,781	5,426,781		
U.S. equity				
Large-cap value	3,351,414	3,351,414		
Large-cap blend	7,031,973	7,031,973		
Large-cap blend, index	5,542,693	5,542,693		
Large-cap growth	13,316,833	13,316,833		
Mid-cap value	159,850	159,850		
Mid-cap blend	3,240,467	3,240,467		
Mid-cap blend, index	848,914	848,914		
Mid-cap growth	1,042,475	1,042,475		
Small-cap blend	292,394	292,394		
Small-cap blend, index	2,442,189	2,442,189		
International equity				
International value	627,403	627,403		
International blend, index	1,367,314	1,367,314		
International growth	5,074,749	5,074,749		
Money market funds	17,328,829	17,328,829		
Total	\$ 93,997,981	\$ 93,997,981	\$ 0	\$ 0

Table of Contents**CTS Corporation Retirement Savings Plan****Notes to Financial Statements****December 31, 2011 and 2010**

		2010 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock				
Technology	\$ 4,512,701	\$ 4,512,701	\$	\$
Mutual funds				
Fixed income				
Intermediate-term bond	10,167,919	10,167,919		
Balanced				
Target-date	11,862,102	11,862,102		
Moderate allocation	6,259,268	6,259,268		
U.S. equity				
Large-cap value	3,949,744	3,949,744		
Large-cap blend	7,715,270	7,715,270		
Large-cap blend, index	5,982,161	5,982,161		
Large-cap growth	15,344,732	15,344,732		
Mid-cap value	196,492	196,492		
Mid-cap blend	3,924,134	3,924,134		
Mid-cap blend, index	903,211	903,211		
Mid-cap growth	1,134,138	1,134,138		
Small-cap blend	322,306	322,306		
Small-cap blend, index	2,799,265	2,799,265		
International equity				
International value	859,129	859,129		
International blend, index	1,734,827	1,734,827		
International growth	6,327,783	6,327,783		
Money market funds	17,028,642	17,028,642		
Total	\$ 101,023,824	\$ 101,023,824	\$ 0	\$ 0

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 \$31,289 and \$47,006 of delinquent loans as deemed distributions in Form 5500 for 2011 and 2010, respectively, and as notes receivable from participants in the accompanying statements of net assets available for benefits. The change in delinquent loan amounts noted above resulted in a difference in benefits paid to participants of \$15,717 for 2011 between Form 5500 and the accompanying statement of changes in net assets available for benefits.

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CTS Corporation Retirement Savings Plan

Notes to Financial Statements

December 31, 2011 and 2010

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: Nonexempt Transaction

Defined contribution plans are required to remit employee contributions to the Plan as soon as they can be reasonably segregated from the employer's general assets, but no later than the 15th business day of the month following the month in which the participant contributions are withheld by the employer. While the Company remitted all employee contributions to the Plan, contributions of \$120 and \$670 were not remitted within the required time period for the year ended December 31, 2011 and 2010, respectively.

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CTS Corporation Retirement Savings Plan

Schedule H, Line 4a Schedule of Delinquent Participant Contributions

December 31, 2011

Total that Constitute Nonexempt Prohibited Transactions				
Participant				
Contributions				
Transferred				
Late	Contributions	Contributions	Contributions	Total Fully
to Plan	Not Corrected	Corrected	Pending	Corrected
		Outside VFCP	Correction in	Under VFCP
			VFCP	and
				PTE 2002-51
\$120			\$120	

Table of Contents**CTS Corporation Retirement Savings Plan****Schedule H, Line 4i Schedule of Assets (Held at End of Year)****December 31, 2011**

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 (17,328,829 shares)	\$ 17,328,829
* CTS Corporation	CTS Corporation Common Stock, no par value (372,139 shares)	3,423,679
American Funds EuroPacific Growth R4 Fund	Mutual Fund (146,881 shares)	5,074,749
American Funds Fundamental R4 Fund	Mutual Fund (199,037 shares)	7,031,973
American Funds Growth Fund of America R4 Fund	Mutual Fund (261,386 shares)	7,454,734
Fidelity Value Fund	Mutual Fund (2,519 shares)	159,850
GAMCO Growth Fund, Class AAA	Mutual Fund (194,689 shares)	5,862,100
Morgan Stanley Institutional Mid Cap Growth Fund	Mutual Fund (32,813 shares)	1,042,475
Oakmark Equity and Income Fund	Mutual Fund (200,620 shares)	5,426,781
Royce Pennsylvania Mutual Investment Fund	Mutual Fund (27,174 shares)	292,394
PIMCO Total Return Fund	Mutual Fund (985,888 shares)	10,716,599
Royce Premier Fund	Mutual Fund (177,755 shares)	3,240,467
T. Rowe Price Equity Income Fund	Mutual Fund (145,335 shares)	3,351,414
* Vanguard 500 Index Fund	Mutual Fund (47,864 shares)	5,542,693
* Vanguard International Value Fund	Mutual Fund (23,560 shares)	627,403
* Vanguard Mid-Cap Index Fund	Mutual Fund (43,202 shares)	848,914
* Vanguard Small-Cap Index Fund	Mutual Fund (73,163 shares)	2,442,189
* Vanguard Target Retirement 2005 Fund	Mutual Fund (44,085 shares)	528,139
* Vanguard Target Retirement 2010 Fund	Mutual Fund (33,193 shares)	744,514
* Vanguard Target Retirement 2015 Fund	Mutual Fund (234,944 shares)	2,889,813
* Vanguard Target Retirement 2020 Fund	Mutual Fund (137,792 shares)	2,988,704
* Vanguard Target Retirement 2025 Fund	Mutual Fund (188,699 shares)	2,315,332
* Vanguard Target Retirement 2030 Fund	Mutual Fund (57,994 shares)	1,213,228
* Vanguard Target Retirement 2035 Fund	Mutual Fund (82,251 shares)	1,028,961
* Vanguard Target Retirement 2040 Fund	Mutual Fund (21,156 shares)	433,703
* Vanguard Target Retirement 2045 Fund	Mutual Fund (12,825 shares)	165,058
* Vanguard Target Retirement 2050 Fund	Mutual Fund (9,355 shares)	190,945
* Vanguard Target Retirement 2055 Fund	Mutual Fund (234 shares)	5,116
* Vanguard Target Retirement Income Fund	Mutual Fund (22,542 shares)	259,911
* Vanguard Total International Stock Index Fund	Mutual Fund (104,695 shares)	1,367,314
		73,245,473
* Participant loans	Interest rates ranging from 5.25% to 11.5%, due from January 24, 2012 to December 17, 2020 (344 Loans)	1,967,315
Total assets		\$ 95,965,296

* Party-in-interest

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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 20, 2012

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EXHIBIT INDEX

Exhibit No.	Exhibit Description
23(a)	Consent of BKD, LLP