

WASTE MANAGEMENT INC
Form 11-K
June 13, 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

For the fiscal year ended December 31, 2011

or

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

For the transition period from to

Commission file number 1-12154

WASTE MANAGEMENT RETIREMENT SAVINGS PLAN

Waste Management, Inc.

1001 Fannin Street

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Suite 4000

Houston, TX 77002

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WASTE MANAGEMENT RETIREMENT SAVINGS PLAN

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Report of Independent Registered Public Accounting Firm

Administrative Committee

Waste Management Retirement Savings Plan

We have audited the accompanying statements of net assets available for benefits of the Waste Management 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 Plan 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 Plan as of December 31, 2011 and 2010, and the changes in 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 audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2011 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of Plan management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ McConnell & Jones LLP

Houston, Texas

June 13, 2012

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Waste Management Retirement Savings Plan

Statements of Net Assets Available for Benefits

December 31, 2011 and 2010

	2011	2010
ASSETS:		
INVESTMENTS, at fair value:		
Plan interest in the Master Trust (Note 3)	\$ 1,450,035,365	\$ 1,440,403,471
Total investments	1,450,035,365	1,440,403,471
RECEIVABLES:		
Employee contributions	736,151	780,523
Employer contributions	514,990	544,058
Notes receivable from participants	64,898,032	61,601,180
Total receivables	66,149,173	62,925,761
Net assets, reflecting investments at fair value	1,516,184,538	1,503,329,232
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(13,621,451)	(9,504,574)
NET ASSETS AVAILABLE FOR BENEFITS	\$ 1,502,563,087	\$ 1,493,824,658

The accompanying notes are an integral part of these financial statements.

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Waste Management Retirement Savings Plan

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 2011

ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS:	
Contributions:	
Employee	\$ 84,144,664
Rollover	4,201,822
Employer	51,706,635
	140,053,121
Transfers to the Plan	2,298,899
Interest income on notes receivable from participants	2,974,080
Total additions	145,326,100
DEDUCTIONS FROM NET ASSETS AVAILABLE FOR BENEFITS:	
Net investment loss from the Master Trust (Note 3)	15,735,465
Benefits paid to participants	120,852,206
Total deductions	136,587,671
NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	8,738,429
NET ASSETS AVAILABLE FOR BENEFITS:	
Beginning of year	1,493,824,658
End of year	\$ 1,502,563,087

The accompanying notes are an integral part of these financial statements.

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Waste Management Retirement Savings Plan

Notes to Financial Statements

December 31, 2011

1. Description of Plan

The following description of the Waste Management Retirement Savings Plan (the **Plan**) provides only general information. Participants should refer to the Summary Plan Description and the plan document for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan available to all eligible employees, and their beneficiaries, of Waste Management, Inc. (the **Company** or **WM**), and subsidiaries (collectively **Waste Management**). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (**ERISA**).

Administration

The Board of Directors of the Company has named the Administrative Committee of the Waste Management Employee Benefit Plans (the **Administrative Committee**) to serve as administrator and fiduciary of the Plan. Waste Management has entered into a Defined Contribution Plans Master Trust Agreement (the **Master Trust**) with State Street Bank and Trust Company (**State Street**) whereby State Street serves as trustee of the Plan. Lion Connecticut Holdings, Inc., a wholly-owned indirect subsidiary of ING America Insurance Holdings Inc. (**ING**), serves as recordkeeper.

Eligibility

Employees (as defined by the Plan) are eligible to participate in the Plan following completion of a 90-day period of service (as defined by the Plan).

Individuals who are ineligible to participate in the Plan consist of (a) leased employees; (b) employees whose employment is governed by a collective bargaining agreement under which retirement benefits are the subject of good faith bargaining, unless such agreement expressly provides for participation in the Plan; (c) individuals providing services to the Company as independent contractors; (d) employees performing services on a seasonal or temporary basis; (e) certain nonresident aliens who have no earned income from sources within the United States of America; and (f) individuals who are participants in certain other pension, retirement, profit-sharing, stock bonus, thrift or savings plans maintained by Waste Management. Certain United States citizens employed by foreign affiliates of the Company may participate in the Plan under certain provisions specified by the Plan.

Contributions

Participants may contribute from one percent to 25 percent of their pre-tax compensation, as defined by the Plan, not to exceed certain limits as described in the plan document (**Employee Contribution**). In addition, participants that are age 50 or older are eligible to make pre-tax catch-up contributions not to exceed certain limits described in the Plan document. After-tax contributions are not permitted by the Plan. Participants may also contribute amounts representing distributions from other qualified plans (**Rollover Contributions**). Waste Management matches 100 percent of each participant's Employee Contribution up to three percent of the participant's compensation, as defined by the Plan, plus 50 percent of the participant's Employee Contribution in excess of three percent of the participant's compensation up to six percent of the participant's compensation (**Employer Contribution**).

Investment Options

In 2010, the Plan, through its investments in the Master Trust, offered participants (a) five common/collective trust funds; (b) a Company common stock fund; (c) a self-managed account, which allows participants to select various securities sold on the New York Stock Exchange, American Stock Exchange and NASDAQ; (d) six target retirement-date funds, which are also common/collective trust funds; and (e) a stable value fund, which includes direct investments and investments in common/collective trust funds, managed by Galliard Capital Management (**Galliard**). As a result of investment option changes implemented during 2011, at December 31, 2011, the Plan, through its investments in the

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Master Trust offered participants (a) two common/collective trust funds; (b) a Company common stock fund (which is an Employee Stock Ownership Plan); (c) a self-managed account, which allows participants to select

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various securities sold on the New York Stock Exchange, American Stock Exchange and NASDAQ; (d) ten target retirement-date funds, which are also common/collective trust funds; (e) a stable value fund, which includes direct investments and investments in common/collective trust funds, managed by Galliard and (f) five mutual funds. With respect to the self-managed account, several restrictions apply and a minimum balance is required to participate. The Plan utilizes cash equivalents to temporarily hold monies pending settlement for transactions initiated by participants.

Each participant who has invested in the Company common stock fund has the right to vote the shares of stock in his or her account with respect to any matter that comes before the shareholders for a vote. Additionally, if a participant invests in the self-managed account, the participant has the right to vote the shares of any common stock held in the participant's account.

Vesting

Participants are immediately vested in their Employee Contributions, Rollover Contributions and Employer Contributions, plus earnings thereon.

Participant Accounts

Each participant's account is credited with the participant's Employee Contribution, Rollover Contribution and Employer Contribution and an allocation of investment income and loss and expenses. Investment income and loss is allocated to a participant's account based upon a participant's proportionate share of the funds within the Master Trust.

Payment of Benefits

Upon retirement, disability or termination of employment, participants or, in the case of a participant's death, their designated beneficiaries, may make withdrawals from their accounts as specified by the Plan. Prior to termination, participants who have reached age 59-1/2 may withdraw from their accounts. Distributions are made by a single lump-sum payment or direct rollover. Distribution of accounts invested in Company common stock may be taken in whole shares of common stock or cash.

Participants may make withdrawals from their contributions, including certain earnings on those contributions, in the event of proven financial hardship of the participant. Not more than one hardship withdrawal is permitted in any 12-month period, and the participant is not permitted to contribute to the Plan or any other plans maintained by Waste Management for six months after receiving the hardship distribution.

Notes Receivable from Participants

Notes receivable from participants represent participant loans that are recorded at their unpaid principal balance plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded when it is earned. No allowance for credit losses has been recorded as of December 31, 2011 and 2010. If a participant ceases to make loan repayments and the Plan administrator deems the participant loan to be a distribution, the participant loan balance is reduced and a benefit payment is recorded. Participants who are active employees may obtain loans of not less than \$1,000 and a maximum of 50 percent of a participant's vested accounts (excluding any amounts invested in the self-managed account) immediately preceding the loan grant date. In no event shall a loan exceed \$50,000, reduced by the greater of (a) the highest outstanding balance of loans during the one-year period ending on the date before a new loan is made or modified, or (b) the outstanding balance of loans on the date a new loan is made or modified. Not more than one loan shall be outstanding at any time, except for multiple loans which (a) result from a merger of another plan into this Plan, or (b) result from a participant's loan becoming taxable under Section 72(p) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest rates and repayment terms are established by the Administrative Committee. Such loans shall be repaid by payroll deduction or any other method approved by the Administrative Committee. The Administrative Committee requires that: (a) repayments be made no less frequently than quarterly; (b) loans be repaid over a period not to exceed 54 months; and (c) repayments, including interest, be made in equal periodic payments over the term of the loan and applied to principal using a level amortization over the repayment period. Prepayment of a participant's total principal amount outstanding is allowed at any time.

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Administrative Expenses

Master Trust administrative expenses, including trustee, recordkeeping and investment management fees, are allocated in proportion to the investment balances of the underlying plans and are netted against investment income. Loan administration fees are charged directly to the account balance of the participant requesting the loan. Administrative expenses are reflected as a reduction of Master Trust investment income and are included in Net investment loss from the Master Trust in the accompanying Statement of Changes in Net Assets Available for Benefits. In 2011, Waste Management elected to pay certain audit and legal fees of the Plan.

2. Summary of Accounting Policies

Basis of Accounting

The accompanying financial statements of the Plan have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Benefits are recorded when paid to participants.

Use of Estimates

The preparation of the financial statements, and accompanying notes and schedule, requires management to make estimates that affect accounting for, and recognition and disclosure of, plan assets and liabilities and additions and deductions to/from net assets available for benefits. These estimates must be made because certain information used is dependent on future events, cannot be calculated with a high degree of precision from available data or simply cannot be readily calculated based on generally accepted methods. In some cases, these estimates are particularly difficult to determine and management must exercise significant judgment. Actual results could differ materially from the estimates and assumptions used in the preparation of the financial statements.

Investments

The purpose of the Master Trust is the collective investment of the assets of participating employee benefit plans of Waste Management. The Master Trust's assets are allocated among participating plans by assigning to each plan those transactions (primarily contributions, benefit payments and certain administrative expenses) that can be specifically identified, and by allocating among participating plans, in proportion to the fair value of the assets assigned to each plan, income and expenses resulting from the collective investment of the assets of the Master Trust.

Corporate stocks, mutual funds and publicly-traded partnership interests held by the Master Trust are stated at fair value based on quoted market prices as of the financial statement date. The fair values of the common/collective trust funds held by the Master Trust are generally based on net asset values established by State Street (the issuer of the common/collective trust funds) based on fair values of the underlying assets. The investment options available within the Plan include a stable value fund that invests in fully benefit-responsive guaranteed investment contracts (GICs) and synthetic investment contracts (Synthetic GICs). In accordance with authoritative guidance issued by the Financial Accounting Standards Board (FASB), the fully benefit-responsive investment contracts held by the Stable Value Fund are reported at fair value. However, contract value is the relevant measurement attribute for 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. Accordingly, the Statements of Net Assets Available for Benefits present both the fair value of the fully benefit-responsive investment contracts and an adjustment from fair value to contract value to arrive at Net Assets Available for Benefits. The fair value measurement of these investments is discussed further in Note 5. Short-term investments (included in amounts reported as common/collective trust funds herein) are stated at cost, which approximates fair value.

The Master Trust records purchases and sales of securities on a trade-date basis and dividends on the ex-dividend date. Interest income is recorded on the accrual basis.

Risks and Uncertainties

The Plan provides for investments in various securities that, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, 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 the amounts reported in the Statements of Net Assets Available for Benefits and participant account balances.

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The Plan investments are held in the Master Trust along with the Waste Management Retirement Savings Plan for Bargaining Unit Employees (the Union Plan). As of December 31, 2011 and 2010, the Plan's beneficial interest in the net assets of the Master Trust was 99.17% and 99.33%, respectively.

Neither the Plan nor the Union Plan has an undivided interest in the investments held in the Master Trust since each plan's interest in the investments of the Master Trust is based on the account balances of the participants and their elected investment fund options. However, the Plan's beneficial interest in each of the underlying investment fund options does not vary significantly from the Plan's beneficial interest in the total net assets of the Master Trust.

The net assets of the Master Trust consist of the following:

	December 31, 2011		December 31, 2010	
	Plan Interest %	Master Trust	Plan Interest %	Master Trust
Assets:				
Investments, at fair value:				
Common/collective trust funds	98.7%	\$ 505,108,820	99.2%	\$ 959,174,765
Stable value fund	99.3%	363,860,603	99.5%	344,899,671
WM common stock	99.6%	102,153,934	99.7%	111,844,911
Corporate stocks other than WM common stock	100.0%	16,796,395	100.0%	14,363,774
Mutual funds	99.5%	473,237,299	100.0%	20,124,526
Publicly-traded partnership interests and other	100.0%	982,550	100.0%	424,601
Total investments	99.2%	1,462,139,601	99.3%	1,450,832,248
Interest receivable		224,653		282
Cash, non-interest bearing		56,349		74,641
Securities sold receivable, net		31,161		
Total assets		1,462,451,764		1,450,907,171
Liabilities:				
Administrative fees payable		309,495		705,257
Securities purchased payable, net				140,366
Total liabilities		309,495		845,623
Net assets reflecting investments at fair value		1,462,142,269		1,450,061,548
Adjustment from fair value to contract value for fully benefit-responsive investment contracts		(13,712,956)		(9,548,644)
Net assets, fully benefit-responsive investment contracts at contract value		\$ 1,448,429,313		\$ 1,440,512,904

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Respective interests in the net assets of the Master Trust by the Plan and the Union Plan are as follows:

	December 31,	
	2011	2010
Net assets reflecting investments at fair value:		
Plan interest	\$ 1,450,035,365	\$ 1,440,403,471
Union Plan interest	12,106,904	9,658,077
Total	\$ 1,462,142,269	\$ 1,450,061,548
Adjustment from fair value to contract value for fully benefit-responsive investment contracts:		
Plan interest	\$ (13,621,451)	\$ (9,504,574)
Union Plan interest	(91,505)	(44,070)
Total	\$ (13,712,956)	\$ (9,548,644)
Net assets, fully benefit-responsive investment contracts at contract value:		
Plan interest	\$ 1,436,413,914	\$ 1,430,898,897
Union Plan interest	12,015,399	9,614,007
Total	\$ 1,448,429,313	\$ 1,440,512,904

The Master Trust's investments that represented 5% or more of net assets are as follows:

	December 31,	
	2011	2010
WM Common Stock	\$ 102,153,934	\$ 111,844,911
Stable Value Fund (at contract value)*	350,147,647	335,351,027
Vanguard Institutional Total Stock Market Index Fund	207,321,065	
Vanguard Total Bond Market Index Fund	89,037,623	
JPMorgan Chase Bank SmartRetirement 2020 Fund	142,119,248	
JPMorgan Chase Bank SmartRetirement 2030 Fund	152,725,372	
SSgA Active US Large Cap Core Fund		73,649,818
SSgA S&P 500 Flagship Fund		211,740,965
SSgA International Alpha Select Fund		98,821,660
SSgA Target Retirement 2020 Fund		147,046,688
SSgA Target Retirement 2030 Fund		157,279,639

* The fair value of the Master Trust's investment in the Stable Value Fund was \$363,860,603 and \$344,899,671 at December 31, 2011 and 2010, respectively.

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Changes in net assets of the Master Trust for the year ended December 31, 2011, are as follows:

ADDITIONS:	
Interest	\$ 3,707
Dividends WM common stock	4,177,714
Dividends other than WM common stock	8,415,889
Other income/(expense)	2,062,900
 Total additions	 14,660,210
DEDUCTIONS:	
Net depreciation in fair value of investments:	
Common/collective trust funds	19,704,566
Stable value fund	9,642,771
WM common stock	(11,742,627)
Corporate stocks other than WM common stock	(3,145,083)
Mutual funds	(42,068,551)
Publicly-traded partnership interests and other	60,123
 Total net depreciation in fair value of investments	 (27,548,801)
Administrative fees	(2,732,893)
 Total deductions	 (30,281,694)
 NET DECREASE BEFORE TRANSFERS	 (15,621,484)
 TRANSFERS IN*	 145,217,279