

SENSIENT TECHNOLOGIES CORP
Form 11-K
June 11, 2018

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 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

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

For the transition period from _____ to _____

Commission file number: 1-7626

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

Sensient Technologies Corporation
Savings Plan

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

Sensient Technologies Corporation
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202-5304
(414) 271-6755

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SENSIENT TECHNOLOGIES CORPORATION
SAVINGS PLAN

FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016,
SUPPLEMENTAL SCHEDULES AS OF DECEMBER 31, 2017, AND
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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Report of Independent Registered Public Accounting Firm

The Benefits Administrative Committee
Sensient Technologies Corporation Savings Plan

Opinion on the Financial Statements

We have audited the accompanying statements of net assets available for benefits of Sensient Technologies Corporation Savings Plan (the Plan) as of December 31, 2017 and 2016, and the related statement of changes in net assets available for benefits for the year ended December 31, 2017. 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, 2017 and 2016, and the changes in net assets available for benefits for the year ended December 31, 2017, in conformity with accounting principles generally accepted in the United States.

Basis for Opinion

These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on the Plan's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to error or fraud. The Plan is not required to have, nor were we engaged to perform, an audit of its 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 control over financial reporting. Accordingly, we express no such opinion. We believe that our audits provide a reasonable basis for our opinion. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Supplementary Information

The supplemental information in the accompanying schedules of Schedule H, Line 4a – Schedule of Delinquent Participant Contributions for the year ended December 31, 2017 and Schedule H, Part IV, Line 4i – Schedule of Assets (Held at End of Year) as of December 31, 2017 have been subjected to audit procedures performed in conjunction with the audit of Sensient Technologies Corporation Savings Plan's financial statements. The supplemental information is presented for the purpose of additional analysis and is not a required part of the financial statements but include supplemental information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental information is the responsibility of the Plan's management. Our audit procedures include 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 in the accompanying schedules, we evaluated whether the supplemental information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental information in the accompanying schedules is fairly stated in all material respects in relation to the financial statements as a whole.

/s/ Wipfli LLP

We have served as the Plan's auditor since 2014.

June 11, 2018
Milwaukee, Wisconsin

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SENSIENT TECHNOLOGIES CORPORATION

SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS:		
Investments at fair value:		
Interest in Sensient Technologies Corporation Master Trust	\$ 175,586,771	\$ 155,353,392
Contributions receivable	4,722,849	4,362,269
Contributions receivable correction	-	1,133,900
Notes receivable from participants	4,782,937	4,475,163
Total receivables	9,505,786	9,971,332
Net assets available for benefits	\$ 185,092,557	\$ 165,324,724

See notes to financial statements.

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SENSIENT TECHNOLOGIES CORPORATION

SAVINGS PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017
ADDITIONS:	
Net investment income from Sensient Technologies Corporation Master Trust	\$27,101,770
Contributions:	
Participants	9,131,878
Sensient Technologies Corporation	4,847,328
Rollovers	1,663,808
Interest income on notes receivable from participants	218,042
Total additions	42,962,826
DEDUCTIONS:	
Withdrawals and distributions	(23,169,144)
Administrative expenses	(25,849)
Total deductions	(23,194,993)
Net additions	19,767,833
Net assets available for benefits:	
Beginning of year	165,324,724
End of year	\$185,092,557

See notes to financial statements.

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SENSIENT TECHNOLOGIES CORPORATION
SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note A - Description of the Plan:

The following description of the Sensient Technologies Corporation Savings Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more comprehensive description of the Plan's provisions.

The Plan is a defined contribution plan sponsored by Sensient Technologies Corporation (the Company). Substantially all domestic employees of the Company, except for employees covered by collective bargaining agreements that do not expressly provide for participation in the Plan, are eligible to participate in the Plan, provided that they are expected to work at least 1,000 hours in the following twelve-month period. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

Employees who were hired (or rehired) on or after January 1, 2006, and on or before December 31, 2013, were automatically enrolled in the Plan at 2% of eligible compensation, and employees who were hired (or rehired) on or after January 1, 2014, were automatically enrolled at 4% of eligible compensation, unless the participant timely elected contributions at a different contribution percentage or elected not to participate in the Plan. Any participant automatically enrolled on or after January 1, 2010 (or rehired on or after such date), shall have his or her automatic deductions increase by an additional 1% on the first business day of February each year up to a maximum of 10% unless the participant timely elects contributions at a different contribution percentage or elects not to participate in the Plan.

The Plan accepts Roth elective deferrals made on behalf of participants. The participant's Roth elective deferrals are allocated to a separate account maintained for such deferrals.

Employees can contribute a portion of their eligible compensation up to the maximum amount prescribed by law. Employees may also contribute amounts representing distributions from other qualified plans. Employee contributions are 100% vested at all times. Company matching contributions are 100% vested at all times. The Company intends to contribute an amount sufficient to provide 100% matching of the first 4% of eligible compensation contributed to the Plan by those employees who made contributions during the Plan year.

Amounts that have been forfeited in accordance with provisions of the Plan serve to reduce Company contributions. In 2017, there were no forfeitures used to reduce the Company contributions.

Participants may elect an in-service withdrawal on or after attaining age 59 ½.

The administration of the Plan is the responsibility of the Benefits Administrative Committee (the Committee), which is appointed by the Finance Committee of the Company's Board of Directors. The assets of the Plan are maintained in the Sensient Technologies Corporation Master Trust (Master Trust), which is administered under a Master Trust agreement (as described in Note C) with Fidelity Management Trust Company (the Trustee or Fidelity). The Trustee is responsible for maintaining the Master Trust assets and, generally, performing all other acts deemed necessary or proper to fulfill its responsibility as set forth in the Master Trust agreement pertaining to the Plan.

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SENSIENT TECHNOLOGIES CORPORATION
SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

Note A - (Continued)

Participants direct the investment of their account balance from both participant and Company contributions, into various investment options offered by the Plan. Participants may revise their investment allocations daily. If a participant is automatically enrolled, his or her contributions are invested in the applicable life cycle fund based on the participant's age until the participant changes his or her election.

Individual accounts are maintained by the Trustee for each Plan participant. Each participant's account is credited with the participant's contribution, the Company's matching contribution, and an allocation of Plan income and charged with withdrawals and an allocation of Plan losses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

The Plan allows participants to borrow funds from their account through the loan fund, up to 50% of their vested balance up to a maximum of \$50,000 less any other outstanding loans in the Plan. The minimum loan allowable is \$1,000. Payroll deductions are required to repay the loan over one to five years, or longer if the loan is used to acquire a principal residence. Loans bear interest at a rate of 1.5% above the prime rate at the end of the previous quarter. Unless loans are repaid in full 90 days after the time of retirement or termination, the amount of the loan becomes taxable income to the participant. Interest rates on loans outstanding at December 31, 2017 and 2016, ranged from 4.75% to 9.75%.

Upon separation from service with the Company due to retirement or termination, and if the participant's vested account balance is greater than \$5,000, the participant may receive his or her benefits in a lump-sum cash payment, lump-sum rollover into an IRA or another employer's eligible retirement plan, or defer receiving benefits until a future date. A participant whose vested account balance is greater than \$1,000, but equal to or less than \$5,000, may elect to receive a lump-sum distribution or a direct rollover to an individual retirement account, which will be established by the Company for the participant. A participant whose vested account balance is equal to or less than \$1,000 will automatically receive a lump-sum distribution equal to his or her vested account balance. If the separation from service is due to permanent disability or death the entire vested account balance is available to the participant or beneficiary (ies).

Hardship withdrawals may be authorized by the Committee in the event of financial hardship of the participant. Such distributions are made in accordance with written policies and procedures, as set forth in accordance with the Internal Revenue Code (the Code), Treasury regulations, and applicable law.

Note B - Accounting Policies:

Although it has not expressed any intention to do so, the Company has the right to amend the Plan, discontinue contributions at any time, and to terminate the Plan subject to ERISA.

The financial statements of the Plan are prepared on an accrual basis in accordance with generally accepted accounting principles in the United States.

Certain administrative expenses incurred by the Plan are paid by the Company on behalf of the Plan or from Plan assets, as determined by the Committee.

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SENSIENT TECHNOLOGIES CORPORATION
SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

Note B - (Continued)

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

As of December 31, 2016, the Plan recorded a receivable of \$1,133,900 to correct an error from 2006 to 2016. The correction was a result of an inadvertent exclusion of some seasonal employees from Plan enrollment. The receivable correction included an estimate of employee and employer contributions for this period of \$833,900, and an estimate of lost earnings on such contributions of \$300,000. The actual receivable correction of \$833,500 was remitted on June 1, 2017, and actual lost earnings of \$394,500 were funded on July 21, 2017, which was intended to compensate these seasonal employees for total contributions and earnings for plan years 2006 - 2016. The impact of this error was limited to the seasonal employees and did not have an impact on either the contributions or the earnings of any other participants. Because of the limited impact of this error and the prompt communication to the affected employees, the Plan concluded that the error was not material to prior years' financial statements and corrected the error in 2016.

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. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2017 or 2016. 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.

In February 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-06, Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): Employee Benefit Plan Master Trust Reporting, which requires any interest or change in that interest in the Master Trust to be presented in separate line items in the statement of net assets available for benefits and in the statement of changes in net assets available for benefits, respectively. ASU 2017-06 also requires that plans disclose the amount of their interest in each general type of investment within the Master Trust. The Plan's management will adopt this standard in the 2019 plan year and make the required retrospective adjustments to all periods presented in the statements. The adoption of the standard will not impact the net assets available for benefits or changes in net assets available for benefits for the Master Trust.

Note C - Master Trust:

The Plan's investments are held by the Master Trust, commingled with the investments of the Sensient Technologies Corporation Retirement Employee Stock Ownership Plan (ESOP). Use of the Master Trust permits the commingling of assets of various employee benefit plans for investment and administrative purposes. Each participating plan's interest in the investment funds of the Master Trust is based on account balances of the participants and their elected investment funds.

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

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SENSIENT TECHNOLOGIES CORPORATION

SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2017

Note C - (Continued)

Investments held by the Plan 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). The stock fund is a unitized fund, which consists of Sensient common stock and short-term cash equivalents that provide liquidity for trading. The common stock is valued at the closing price reported on the major market on which the individual securities are traded and the short-term cash equivalents are valued at cost, which approximates fair value. The shares of mutual funds are valued at quoted market prices, which represent the net asset value (NAV) of shares held by the Plan at year-end. The common collective trust fund is valued at NAV provided by the administrator of the fund. The NAV of the common collective trust fund is based on underlying assets owned by the fund, minus its liabilities, and then divided by the number of units outstanding.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is accrued when earned. Dividend income is recorded on the ex-dividend date. Capital gain distributions are included in dividend income. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

The Master Trust invests in various securities. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. 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 change could materially affect participants' account balances and the amounts reported in the financial statements.

The fair value of the net assets of the Master Trust as of December 31, 2017 and 2016, is as follows:

	2017	2016
Sensient Technologies Corporation stock fund	\$66,145,120	\$81,356,107
Mutual funds	156,291,625	131,448,221
Common collective trust fund measured at NAV	11,229,601	11,974,236
Net assets in Master Trust	\$233,666,346	\$224,778,564
Plan's investment in Master Trust as a percent of total	75.14	% 69.11 %

The net investment income of the Master Trust for the year ended December 31, 2017, is as follows:

	2017
Dividends on Sensient Technologies Corporation stock fund	\$1,130,684
Interest and other dividends	5,807,369
Net appreciation of investments based on quoted market prices	18,067,798
Net investment income of Master Trust	\$25,005,851
Plan's equity in net investment income of the Master Trust	\$27,101,770

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SENSIENT TECHNOLOGIES CORPORATION

SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2017

Note C - (Continued)

During the year ended December 31, 2017, net appreciation (depreciation) of the investments held by the Master Trust (including gains and losses on investments bought, sold, or held during the year) is as follows:

	2017
Sensient Technologies Corporation stock fund	\$(5,001,318)
Mutual funds	23,069,116
Net appreciation in fair value of investments – Master Trust	\$ 18,067,798

Note D - Income Tax Status:

The Plan has received a determination letter from the Internal Revenue S