

STERIS CORP
Form 11-K
June 29, 2015
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Securities and Exchange Commission
Washington, D. C. 20549

FORM 11-K

Annual Report Pursuant to Section 15(d) of The Securities Exchange Act of 1934
For the Twelve Month Period Ended December 31, 2014
OR

Transition Report Pursuant to Section 15(d) of The Securities Exchange Act of 1934
For the transition period from to
Commission file number 1-14643

A. Full title of the plan and the address of the plan if different from that of the issuer named below:
STERIS Corporation 401(k) Plan

B. Name of issuer of securities held pursuant to the plan and the address of its principal executive office:
STERIS Corporation
5960 Heisley Road
Mentor, Ohio 44060

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FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
STERIS Corporation 401(k) Plan
December 31, 2014 and 2013 and the Year ended December 31, 2014
with Report of Independent Registered Public Accounting Firm

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STERIS Corporation 401(k) Plan
Financial Statements and Supplemental Schedules
December 31, 2014 and 2013
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Report of Independent Registered Public Accounting Firm

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Report of Independent Registered Public Accounting Firm

Board of Directors
STERIS Corporation

We have audited the accompanying statements of net assets available for benefits of STERIS Corporation 401(k) Plan as of December 31, 2014 and 2013, and the related statement of changes in net assets available for benefits for the year ended December 31, 2014. 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 audit 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 audits 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 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 STERIS Corporation 401(k) Plan at December 31, 2014 and 2013, and the changes in its net assets available for benefits for the year ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

The accompanying supplemental schedules of delinquent participant contributions and assets (held at end of year) as of December 31, 2014 have been subjected to audit procedures performed in conjunction with the audit of STERIS Corporation 401(k) Plan's financial statements. The information in the supplemental schedules is the responsibility of the Plan's management. Our audit procedures included determining whether the 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 schedule(s). In forming our opinion on the information, we evaluated whether such 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Ernst & Young LLP

Cleveland, Ohio

June 29, 2015

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STERIS Corporation
 401(k) Plan
 Statements of Net Assets Available for Benefits

	December 31, 2014	2013
Assets:		
Investments, at fair value	\$443,331,334	\$399,007,750
Notes receivable from participants	8,298,646	7,294,459
Participant contributions receivable	35,375	—
Net assets available for benefits	\$451,665,355	\$406,302,209
See accompanying notes to the financial statements.		

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STERIS Corporation

401(k) Plan

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 2014

Additions:

Investment Income:

Net realized and unrealized appreciation in the fair value of investments	\$30,885,406
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Investment interest and dividend income	8,169,163
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Interest on notes receivable from participants	330,627
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Contributions:

Participant	25,357,616
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Employer	10,274,403
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Rollovers	2,519,536
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	38,151,555
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Total additions	77,536,751
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Deductions:

Benefit payments	\$31,841,412
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Administrative expenses	332,193
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Total deductions	32,173,605
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Net increase in net assets available for benefits	45,363,146
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Net assets available for benefits at:

Beginning of year	406,302,209
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End of year	\$451,665,355
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See accompanying notes to the financial statements.

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STERIS Corporation

401(k) Plan

Notes to Financial Statements

December 31, 2014 and 2013

1. Description of Plan

The following brief description of the STERIS Corporation 401(k) Plan (the "Plan") provides only general information. A complete description of the Plan provisions, including those relating to participation, vesting and benefits, is contained in the Plan document. Participants should refer to the Plan document for complete information regarding the Plan's provisions.

General

The Plan is a defined contribution plan administered by STERIS Corporation (the "Company," "STERIS," or "Plan Administrator"). Generally, all U.S. employees of STERIS and certain participating subsidiaries who have attained the age of 18 and have completed 90 days of employment with the Company or a participating subsidiary are eligible to participate in the Plan on the first day of the payroll period that begins after satisfying these requirements. Rehired employees who were previously participants are eligible for participation immediately upon rehire. The Plan contains an automatic enrollment feature for newly eligible participants and a Qualified Automatic Contribution Arrangement (QACA). The Plan was amended in 2013, to include a provision that allows any person transferred directly from employment with an Employer or with a Related Company in a capacity other than as an Employee to employment as an Employee, to become an Eligible Employee as of the date he/she is transferred provided that he/she has satisfied the minimum age and service requirements and provisions limiting withdrawals other than hardship withdrawals. The Plan was amended and restated in its entirety effective January 1, 2015, to consolidate all prior amendments into one document and to meet IRS qualification requirements that plan sponsors restate their plan documents.

The Plan is a stock bonus plan and the portion of the Plan consisting of the STERIS Stock Fund is an employee stock ownership plan within the meaning of Section 4975(e)(7) of the Internal Revenue Code (the "Code"). The Plan provides for a cash payment option with respect to dividends paid on STERIS common shares held in the STERIS Stock Fund. The Plan also contains a cash or deferred arrangement intended to qualify under Section 401(k) of the Code. The Plan is qualified under Section 401(a) of the Code.

Vanguard Fiduciary Trust Company is the Plan trustee and The Vanguard Financial Group, Inc. is the Plan record-keeper (collectively "the Trustee"). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Contributions

Contributions made by a participant are "before-tax" deferred compensation contributions or Roth 401(k) contributions. The Plan allows participants to contribute between one and fifty percent of their compensation received during a calendar year, subject to certain limitations. The contributions for each participant are made by payroll deductions and are determined each pay period by multiplying the participant selected deferral percentage rate then in effect by his/her eligible compensation for such period.

The Plan contains a feature that allows participants to modify deferral percentages at any time.

The Company and participating subsidiaries make matching cash contributions to participants' accounts. The matching contributions are a percentage of the contributions made by each participant. For the year ended December 31, 2014, Company matching contributions were 100% of a participant's contribution (not in excess of one percent of eligible compensation), and 50% of the participant's contributions (in excess of one percent but not in excess of six percent of eligible compensation), subject to certain Plan limitations. The Company matching contribution, which is made each pay period, is approved periodically by the Company's Board of Directors. The Company has reserved the right to amend the Plan to suspend, modify or terminate its matching contributions.

The Company also may make corrective qualified nonelective contributions to the Plan on behalf of participants.

The Plan also allows a participant to contribute into the Plan balances from another qualified benefit plan (known as "rollover contributions").

STERIS Corporation
401(k) Plan
Notes to Financial Statements (continued)

Delinquent Participant Contributions

During 2014, one of the Company's participating subsidiaries failed to transmit certain participant contributions to the Plan in the amount of \$35,375 within the time period prescribed by ERISA. Late transmissions of participant contributions constitute a prohibited transaction under ERISA section 406, regardless of materiality. The Company transmitted the delinquent participant contributions to the Plan on January 21, 2015, and reimbursed the Plan for lost earnings in the amount of \$333 on February 9, 2015. Related excise taxes were paid by the Company.

Participant Accounts

A separate account is maintained for each participant in the Plan, reflecting contributions, investments, realized and unrealized investment gains and losses, loans and interest, withdrawals, rollovers, and investment fees. The net value of each participant account is established at the close of each business day through the valuation of each fund's assets at fair value.

Participants may elect to invest contributions, including the Company contributions, in any combination of the investment funds offered by the Plan, including STERIS Corporation Common Stock. If a participant does not make an investment election with respect to 100% of the contributions made on behalf of the participant, those contributions for which no election has been made will be invested in the default investment option (Vanguard Target Retirement Date Funds), until an affirmative election of other investment options is received from the participant.

Participants can generally change their investment elections at any time. A participant may elect to have a portion or all of the balance of prior contributions together with earnings transferred from any fund in which it is invested to any other fund, subject to any transfer restrictions that the fund may impose. The STERIS Company Stock Fund will not accept transfers from other investment funds or rollover contributions. A self-directed mutual fund brokerage window option also is available to participants. This option enables participants to invest in a wide variety of mutual funds, beyond the core investment funds available to all Plan participants. Participants who elect this option are subject to additional charges; these additional charges are the responsibility of the electing participants.

Vesting

All participants are immediately vested in their contributions and Company matching contributions plus actual earnings thereon.

Plan Withdrawals and Distributions

Upon death, disability or retirement or other termination of service, participants may receive a lump sum amount equal to the value of their account balance. Employed participants who have a specific financial hardship may withdraw all or a portion of their account balance. Additionally, participants who are age 59 1/2 or older may withdraw all or a portion of their account balance for any reason, subject to frequency limitations.

Participants Loans

Participants currently employed may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50 percent of their vested account balance. Loan terms generally range from 1-5 years and are secured by the balance in the participant's account. Loan terms for loans used for the purchase of a participant's primary residence can be longer than five years. The loans bear interest at a rate established by the Trustee. Principal and interest is paid through payroll deductions. Participants may have only one loan outstanding at any time and participants may take only one loan in a twelve-month period.

Company Stock Fund

Each participant who has an investment in the STERIS Company Stock Fund holds Stock Fund units. These units represent a proportionate number of Company Common Shares held in the STERIS Company Stock Fund. Each participant is entitled to exercise voting rights attributable to the Company's Common Shares that his or her stock units represent. At least thirty days prior to the time such rights are to be exercised, each participant is sent, electronically or by regular mail, a copy of the proxy solicitation materials. Participants are requested to instruct the Trustee as to how shares should be voted. If a participant does

STERIS Corporation
401(k) Plan
Notes to Financial Statements (continued)

not provide the Trustee with instructions as to how shares should be voted, then such shares are voted, as provided in the Plan, proportionately in accordance with the instructions received from other participants in the Plan who are voting.

Plan Termination

The Company, by action of its Board of Directors or Compensation Committee and without approval of its shareholders, has the right under the Plan to amend, suspend, or terminate the Plan in its entirety subject to the provisions of ERISA. The Oversight Committee for the Plan also is authorized to make certain Plan amendments. In the event of Plan termination, participants will remain 100 percent vested in their accounts.

Administrative Expenses

Costs incident to the purchase and sale of securities, such as brokerage commissions and stock transfer taxes, are paid by the respective funds. All other administrative expenses incurred in the administration of the Plan are charged against the respective funds, unless the Company elects to pay such amounts. Quarterly, an amount of \$12.00 is deducted from each participant account to pay administrative fees. The Company has elected to pay audit, legal, and consulting fees only.

2. Summary of Accounting Policies

Basis of Accounting

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States ("U.S. GAAP"). Plan financial statements have been prepared on the accrual basis of accounting. The following is a summary of the significant accounting policies followed by the Plan in the preparation of its financial statements.

Investment Valuation and Income Recognition

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). See Note 6 for further discussion and disclosures related to fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Notes Receivable from Participants

Notes receivable from participants are measured at amortized cost, which represents unpaid principal balance plus any accrued but unpaid interest. 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.

Payment of Benefits

Benefits are recorded when paid.

3. Transactions with Parties-in-Interest

Party-in-interest transactions include the investment in the funds of the Trustee and funds maintained by entities affiliated with the Trustee and the payment of administrative expenses. Permissible Plan loans to participants are also parties-in-interest transactions.

The Plan purchased Common Shares of the Company for \$2,924,436, sold Common Shares of the Company for \$6,259,824, and received dividends on Common Shares of the Company totaling \$626,376 during the year ended December 31, 2014. These

STERIS Corporation
 401(k) Plan
 Notes to Financial Statements (continued)

transactions qualify as party-in-interest transactions; however, they are exempt from the prohibited transactions rules under ERISA.

4. Tax Status

The Plan received a determination letter from the Internal Revenue Service dated May 21, 2012, stating that the Plan is qualified under Section 401(a) of the Code. This determination also meant, in effect, that the related trust was determined to be exempt from taxation. The determination was subject to a request that certain proposed amendments previously submitted to the IRS be adopted. These amendments, contained in a Fifth Amendment, were adopted in June 2012. The letter expires on January 31, 2015. On January 30, 2015 the Plan was submitted to the IRS for a new determination letter. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualified status. The Plan Administrator has indicated that it will take the necessary steps, if any, to bring the Plan's operations into compliance with the Code requirements in the event of any noncompliance.

U.S. GAAP requires the Company to evaluate tax positions taken by the Plan and recognize a tax asset or liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Company has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2014, there are no uncertain positions taken or expected to be taken. The Plan is subject to routine audits by the Internal Revenue Service; however, there are currently no tax audits for any tax periods in respect of the Plan in progress. The Company believes it is no longer subject to examinations of its Forms 5500 for years prior to 2011.

5. Investments

During 2014, the Plan's investments (including investments purchased, sold, and held during the year) appreciated in value as follows:

	Year Ended December 31,
Net realized and unrealized appreciation in the value of investments:	
STERIS Company Stock Fund	\$ 11,814,949
Mutual funds	19,070,457
Net realized and unrealized appreciation in the value of investments	\$ 30,885,406

The following presents investments at December 31, 2014 and 2013 that represent 5 percent or more of the Plan's net assets available for benefits:

	December 31,	
	2014	2013
Vanguard Institutional Index Fund	\$99,953,023	\$ 88,082,107
Vanguard Extended Market Index Fund Institutional Shares	59,276,549	58,649,736
Vanguard Total Bond Market Index Fund Institutional Shares	35,805,171	33,973,423
Vanguard Prime Money Market Fund Institutional Shares	29,936,148	31,658,483
STERIS Company Stock Fund	44,744,773	36,249,394
Vanguard FTSE All-World ex-US Index Fund Institutional Shares	23,239,272	24,023,811
Vanguard Target Retirement 2020 Fund	28,316,475	24,903,757
Vanguard Target Retirement 2025 Fund	30,625,546	27,580,940
Vanguard Target Retirement 2030 Fund (1)	23,186,642	—

(1) Investments at December 31, 2013 did not represent 5 percent or more of the Plan's net assets available for benefits.

6. Fair Value Measurements

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STERIS Corporation
 401(k) Plan
 Notes to Financial Statements (continued)

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. Investments are classified in a hierarchy based on the inputs to valuation techniques used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The three levels of the fair value hierarchy are described below:

Level 1 - Unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include, quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These inputs reflect management's judgment about the assumptions that a market participant would use in pricing the investment and are based on the best available information, some of which may be internally developed.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following describes the valuation methodologies used for assets measured at fair value.

Mutual funds: Money market fund holdings are classified as level two as active market quoted prices are not available and valuation of the units in the funds is inherently subject to a net asset value.

STERIS Company Common Stock fund: Valued based on the year end unit value; unit values were determined by the Trustee by dividing the fair values of the total net assets at year end by the outstanding units.

The following tables set forth by level, within the fair value hierarchy, the Plan's assets measured at fair value on a recurring basis as of December 31, 2014 and 2013:

	Level 1	Level 2	Level 3	Total
December 31, 2014				
Mutual funds				
Domestic Balanced	\$ 147,404,071	\$—	\$—	\$ 147,404,071
Large Blend	100,284,993	—	—	100,284,993
Mid Cap	59,316,313	—	—	59,316,313
Intermediate Term Bond	35,805,171	—	—	35,805,171
Taxable Money Market	—	30,478,565	—	30,478,565
Foreign Large Blend	23,291,691	—	—	23,291,691
Other Mutual Funds	2,005,757	—	—	2,005,757
STERIS Company Stock Fund	44,744,773	—	—	44,744,773
Total assets at fair value	\$412,852,769	\$30,478,565	\$—	\$443,331,334

STERIS Corporation
 401(k) Plan
 Notes to Financial Statements (continued)

	Level 1	Level 2	Level 3	Total
December 31, 2013				
Mutual funds				
Domestic Balanced	\$ 123,949,346	\$—	\$—	\$ 123,949,346
Large Blend	88,416,865	—	—	88,416,865
Mid Cap	58,773,795	—	—	58,773,795
Intermediate Term Bond	33,973,423	—	—	33,973,423
Taxable Money Market	—	32,016,559	—	32,016,559
Foreign Large Blend	24,023,811	—	—	24,023,811
Other Mutual Funds	1,604,557	—	—	1,604,557
STERIS Company Stock Fund	36,249,394	—	—	36,249,394
Total assets at fair value	\$ 366,991,191	\$ 32,016,559	\$—	\$ 399,007,750

7. 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 statement of net assets available for benefits.

Participants are responsible for researching and judging for themselves the suitability of any particular security, transaction or investment strategy and the associated inherent risk of loss.

STERIS Corporation
401(k) Plan

EIN: 34-1482024 Plan Number: 001

Schedule H, Line 4a— Schedule of Delinquent Participant Contributions
Year Ended December 31, 2014

Participant

Contributions

Transferred Late to
Plan

Check here
if Late Participant
Loan Repayments are
included:

Total that Constitute Nonexempt Prohibited Transactions

Contributions not
Corrected (1)

Contributions
Corrected Outside
VFCP

Contributions Pending
Correction in
VFCP

Total Fully Corrected
Under VFCP and PTE
2002-51

—	\$35,375	—	—	—
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(1) Represents delinquent participant contributions from various 2014 pay periods. The Company transmitted lost earnings into the Plan on February 9, 2015 and has filed the required Form 5330.

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STERIS Corporation
 401(k) Plan
 EIN: 34-1482024 Plan Number: 001
 Schedule H, Line 4i—Schedule of Assets
 (Held at End of Year)
 December 31, 2014

Identity of Issuer, Borrower, Lessor, or Similar Party	Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	Cost	Current Value
Common Stock:			
* STERIS Corporation	STERIS Company Stock Fund - 705,420 Units	**	\$44,744,773
Mutual Funds:			
* Vanguard Extended Market Index Fund Institutional Shares	890,038 Shares	**	59,276,549
* Vanguard FTSE All-World ex-US Index Fund Institutional Shares	251,752 Shares	**	23,239,272
* Vanguard Institutional Index Fund	529,777 Shares	**	99,953,023
* Vanguard Prime Money Market Institutional Shares	29,936,148 Units	**	29,936,148
* Vanguard Target Retirement 2010 Fund	80,627 Shares	**	2,122,097
* Vanguard Target Retirement 2015 Fund	769,721 Shares	**	11,769,034
* Vanguard Target Retirement 2020 Fund	994,957 Shares	**	28,316,475
* Vanguard Target Retirement 2025 Fund	1,852,725 Shares	**	30,625,546
* Vanguard Target Retirement 2030 Fund	798,438 Shares	**	23,186,642
* Vanguard Target Retirement 2035 Fund	971,405 Shares	**	17,329,866
* Vanguard Target Retirement 2040 Fund	407,495 Shares	**	12,127,046
* Vanguard Target Retirement 2045 Fund	511,805 Shares	**	9,545,163
* Vanguard Target Retirement 2050 Fund	230,484 Shares	**	6,826,937
* Vanguard Target Retirement 2055 Fund	65,274 Shares	**	2,087,476
* Vanguard Target Retirement 2060 Fund	13,655 Shares	**	385,054
* Vanguard Target Retirement Income	238,786 Shares	**	3,082,732
* Vanguard Total Bond Market Index Fund Institutional Shares	3,293,944 Shares	**	35,805,171
* Vanguard brokerage option - registered investment companies	2,972,330 Units	**	2,972,330
			398,586,561
Other:			
* Participant Loans	Bearing interest between 4.25% and 9.00% and maturing through 2040		8,298,646
			\$451,629,980
* Indicated party-in-interest to the Plan.			
** Participant-directed investment, cost not required			

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SIGNATURE

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Administrator of the Plan has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

STERIS Corporation 401 (k) Plan

By: STERIS Corporation
Plan Administrator

Dated: June 29, 2015

By: /s/ MICHAEL J. TOKICH
Michael J. Tokich
Senior Vice President, Chief Financial Officer and
Treasurer
STERIS Corporation