

REGAL BELOIT CORP
Form 11-K
June 27, 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

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

For the fiscal year ended December 31, 2017

“TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 001-07283

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

REGAL POWER TRANSMISSION SOLUTIONS 401(k) PLAN

200 State Street

Beloit, Wisconsin 53511

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

REGAL BELOIT CORPORATION

200 State Street

Beloit, Wisconsin 53511

REGAL POWER TRANSMISSION SOLUTIONS
401(k) PLAN

Financial Statements as of and for the Years
Ended December 31, 2017 and 2016,
Supplemental Schedule as of December 31, 2017
and Report of Independent Registered Public Accounting Firm

REGAL POWER TRANSMISSION SOLUTIONS
401(k) PLAN

TABLE OF CONTENTS

	Page
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	1
FINANCIAL STATEMENTS:	
Statements of Net Assets Available for Benefits - December 31, 2017 and 2016	2
Statement of Changes in Net Assets Available for Benefits - Year Ended December 31, 2017	3
Notes to Financial Statements	4
SUPPLEMENTAL SCHEDULE:	
Form 5500, Schedule H, Part IV, Line 4i - Schedule of Assets (Held at End of Year) as of December 31, 2017	9
All other 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.	

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Trustees

Regal Power Transmission Solutions 401(k) Plan

Opinion on the financial statements

We have audited the accompanying statements of net assets available for benefits of Regal Power Transmission Solutions 401k Plan (the Plan) as of December 31, 2017 and 2016, the related statement of changes in net assets available for benefits for the year ended December 31, 2017, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements 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 of America.

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 Plan 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 the 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 of 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 part of our audits we are required to obtain an understanding of internal control over financial reporting 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.

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.

Supplemental information

The supplemental information in the accompanying schedule of assets held at December 31, 2017, has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic 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 included determining whether the supplemental information reconciles to the basic 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 schedule, 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 referred to above is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

/s/ GRANT THORNTON LLP

We have served as the Plan's auditor since 2016.

Milwaukee, Wisconsin

June 26, 2018

REGAL POWER TRANSMISSION SOLUTIONS
401(k) PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS:		
Investments at fair value	\$56,270,116	\$47,476,023
Receivables:		
Employer contributions	97,205	12,744
Participant contributions	—	94,859
Participant notes	1,453,862	1,287,648
Accrued interest and dividends	934	557
Total receivables	1,552,001	1,395,808

NET ASSETS AVAILABLE FOR BENEFITS \$57,822,117 \$48,871,831

See notes to financial statements

REGAL POWER TRANSMISSION SOLUTIONS
401(k) PLAN

STATEMENT OF CHANGES IN NET ASSETS
AVAILABLE FOR BENEFITS
YEAR ENDED DECEMBER 31, 2017

	2017
CONTRIBUTIONS:	
Employer contributions	\$751,108
Participant contributions	4,066,598
Participant rollovers	93,164
Total contributions	4,910,870
INVESTMENT INCOME:	
Net appreciation in fair value of investments	7,112,121
Interest and dividend income	1,014,453
Total investment income	8,126,574
DEDUCTIONS:	
Benefits paid to participants	4,004,839
Administrative fees	82,319
Total deductions	4,087,158
NET INCREASE	8,950,286
NET ASSETS AVAILABLE FOR BENEFITS:	
Beginning of period	48,871,831
End of period	\$57,822,117

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

1. DESCRIPTION OF PLAN

The following description of the Regal Power Transmission Solutions 401(k) Plan (the "Plan") is provided for general information purposes only. More complete information regarding the Plan's provisions may be found in the Plan document. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

General - The Plan is a defined contribution plan which allows eligible employees to defer compensation as permitted under Section 401(k) of the Internal Revenue Code (the "IRC"). The Plan was created on February 1, 2015 and covers substantially all US based employees of the Power Transmission Solutions Business ("PTS") acquired by Regal Beloit Corporation (the "Company") on January 30, 2015 from Emerson Electric Company. Additional information on eligibility can be found in the plan document.

Plan Administration - Wells Fargo Institutional Retirement and Trust (the "Trustee") is the trustee, custodian, and recordkeeper for the Plan. Overall responsibility for administering the Plan rests with the Retirement Plan Committee.

Contributions - Eligible employees can contribute an amount of up to 100% of eligible compensation as defined by the Plan subject to certain limitations under the IRC on a pre-tax and/or after-tax Roth basis. Union employees may be subject to limitations under their collective bargaining agreements. The Plan also allows "catch-up" contributions for those participants age 50 or over, in addition to the actual deferral amount.

Participating employees of the Company that are not represented by the Valparaiso Union IAM Local 1227 receive an employer match contribution equal to 25% of the first 5% of the employee's deferral.

The Plan has implemented the Automatic Enrollment feature as allowed pursuant to the Pension Protection Act of 2006. This auto enrollment is applicable to all employees newly eligible to participate in the Plan who are not subject to a separate union agreement. These participants are auto enrolled for a 3% payroll deferral. These contributions are defaulted in the Vanguard Lifestyle fund based on the employee's age absent an investment fund election.

Vesting - Participants at all times have a fully vested interest in individual contribution accounts. Company matching contributions are subject to a five year graded vesting schedule. PTS employees' years of service under Emerson Electric Company contribute to their vesting status under the Plan. All participant accounts become fully vested at the time of death or disability.

Forfeited Accounts - At December 31, 2017 and 2016 forfeited nonvested accounts totaled \$770 and \$3,918, respectively. In the event of a forfeited account, the forfeitures are used to reduce employer contributions in the Plan up to one year following the Plan year in which the forfeitures occur. Forfeitures used during 2017 and 2016 were \$13,289 and \$22,307, respectively.

Benefit Payments - Participants may withdraw their account balance upon retirement, death, disability, termination of employment, or attainment of age 59-1/2. Participants having any immediate and heavy financial hardship without any other source of funds may request a hardship withdrawal of their 401(k) contributions. Participant's vested and nonforfeitable balances will be distributable to the participant upon termination of employment if the balance is less than \$1,000. If the vested balance exceeds \$1,000, but it is less than \$5,000, the Plan must transfer to an Individual

Retirement Account unless the participant elects to receive a distribution. If the vested balance exceeds \$5,000, distribution will be made only if the participant consents.

Participant Accounts - Individual accounts are maintained for each Plan participant. Each participant's account is credited with the participant's contribution, any Company matching contribution, allocations of Company discretionary contributions and Plan earnings, and charged with withdrawals and an allocation of Plan losses and administrative expenses. Allocations are based on participant earnings or account balances, as defined in the Plan document. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Investment Options - All investments are participant-directed and participants are able to change their investment options in 1% increments. A complete listing of investment options is available in the attached supplemental schedule: Schedule of Assets (Held at End of Year).

Participant Notes - The Plan permits a participant to borrow from his or her individual account an amount limited to 50% of the vested account balance, up to \$50,000. The minimum loan amount is \$1,000. Interest at prevailing market rates (ranging from 4.25% to 7.34% as of December 31, 2017 and 2016) is charged on the loan. Only one loan is allowed at any time, and the maximum term is five years, unless the loan is used for the acquisition of the participant's primary residence, for which the term of the loan may be extended beyond the five year period. No allowance for credit losses has been recorded as of December 31, 2017 and 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accompanying financial statements have been prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Accounting Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan's management to make estimates and assumptions that affect the reported amounts of Plan assets and liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting periods. Actual results could differ from these estimates.

Risks and Uncertainties - The Plan invests in various investment instruments, including mutual funds, a collective trust and Company common stock. 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 certain investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Investment Valuation and Income Recognition - The Plan's investments are stated at fair value. Shares of stock and mutual funds are valued at quoted market prices, which represent the net asset value of shares held by the Plan at year end. The collective trust fund is stated at fair value as determined by the issuer of the collective trust fund based on the fair market value of the underlying investments.

The Wells Fargo Stable Return Fund is a stable value collective trust fund. The Wells Fargo Stable Return Fund is primarily invested in traditional and synthetic guaranteed investment contracts. Traditional contracts are typically issued by insurance companies or banks and are essentially nonmarketable deposits with the issuing entity. The issuer is contractually obligated to repay the principal and stated interest. The repayment of a traditional contract is the sole responsibility of the issuing entity. In the case of a synthetic guaranteed investment contract, the fund purchases high-quality debt obligations and enters into contractual arrangements with third parties to provide a guarantee of book (contract) value and specified interest. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. Contract value represents contributions made to the fund, plus earnings, less participant withdrawals. The crediting interest rate was 2.14% and 1.94% at December 31, 2017 and 2016, respectively.

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.

Benefit Payments - Benefit payments to participants are recorded when paid. There were no amounts payable to participants who elected to withdraw from the Plan but had not been paid at December 31, 2017 and 2016.

Administrative Expenses - The Plan pays all administrative expenses, which are expensed as incurred.

Plan Termination - The Company may terminate the Plan at any time. Distribution upon termination or complete discontinuance of contributions will be made in a manner selected by the Trustee. Presently, the Company has no intention to terminate the Plan. In the event that the Plan is terminated, participants would become 100% vested in their accounts.

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 recorded as distributions based on the terms of the plan document.

Subsequent Events - The Company has evaluated subsequent events from December 31, 2017 through the date these financial statements were issued. The Company is not aware of any subsequent events that would require recognition or disclosure.

3. FAIR VALUE MEASUREMENTS

In accordance with the Financial Accounting Standards Board's statement on Fair Value Measurements, the Plan classifies its investments into Level 1, which refers to securities valued using quoted prices from active markets for identical assets, Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available, and Level 3, which refers to securities valued based on significant unobservable inputs. At December 31, 2017 and 2016, the Plan's portfolio investments were classified as follows based on fair values:

Plan Assets Fair Value Measurement Reporting December 31, 2017					
	Balance	Level 1	Level 2	Level 3	
Mutual funds	\$54,508,106	\$54,508,106	\$—	\$—	—
Regal Beloit Corporation Common Stock	273,079	273,079	—	—	—
Money market funds	12,498	—	12,498	—	—
Total	\$54,793,683	\$54,781,185	\$12,498	\$—	—
Investments measured at net asset value	1,476,433				
Total investments	\$56,270,116				
Plan Assets Fair Value Measurement Reporting December 31, 2016					
	Balance	Level 1	Level 2	Level 3	
Mutual funds	\$45,289,998	\$45,289,998	\$—	\$—	—
Regal Beloit Corporation Common Stock	159,898	159,898	—	—	—
Money market funds	3,553	—	3,553	—	—
Total	\$45,453,449	\$45,449,896	\$3,553	\$—	—
Investments measured at net asset value	2,022,574				
Total investments	\$47,476,023				

The following table summarizes the fair value measurements of investments held in the Plan that were calculated using a net asset value per share:

Fair Value Estimated Using Net Asset Value per Share December 31, 2017				
Investment	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Collective trust fund	\$1,476,433	—	Immediate	None
	\$1,476,433	—	—	—

Fair Value Estimated Using Net Asset Value per
Share
December 31, 2016

Investment	Fair Value	Unfunded Commitment	Redemption	
			Frequency	Notice Period
Collective trust fund	\$2,022,574\$		—Immediate	None
	\$2,022,574\$		—	

4. PARTICIPANT ACCOUNTING

Participant recordkeeping is performed by Wells Fargo Institutional Retirement and Trust (“Wells Fargo”). For all investment programs other than the Regal Beloit Corporation Unitized Stock Fund (the “Fund”), Wells Fargo maintains participant balances on a share method. Participant investments in the Fund are accounted for on a unit value method. The unit value for the Fund is computed based on the share price, dividend information, and the value of the Fund's short term investments. At December 31, 2017 and 2016 the Plan held 28,038 units and 15,966 units, respectively of the Fund. The Fund invests in shares of Regal Beloit Corporation common stock and held 3,565 and 2,309 shares at December 31, 2017 and 2016, respectively. In addition to Regal Beloit Corporation common stock, the Fund also invests in the Wells Fargo Short Term Investment Fund. Dividend income recorded by the fund for the years ended December 31, 2017 and 2016 was \$3,101 and \$2,013 respectively.

5. INCOME TAX STATUS

The Plan received a favorable IRS determination letter from the IRS on October 31, 2017. The Company and Plan's management believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC and the Plan and related trust continue to be tax-exempt. Therefore, no provision for income taxes has been included in the Plan's financial statements.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the United States Internal Revenue Service. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2017 and 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

6. EXEMPT PARTY-IN-INTEREST TRANSACTIONS

Certain Plan investments are shares of a collective trust fund and money market fund that are managed by Wells Fargo. Wells Fargo is the trustee of the Plan and, therefore, these transactions qualify as exempt party-in-interest transactions. Fees paid by the Plan for investment management and recordkeeping service are included as a reduction of the return earned by each fund. In addition, the Plan invests in securities of the Company. These transactions are not considered prohibited transactions by statutory exemption under ERISA regulations.

SUPPLEMENTAL SCHEDULE
FURNISHED PURSUANT TO
DEPARTMENT OF LABOR'S RULES AND REGULATIONS

8

REGAL POWER TRANSMISSION SOLUTIONS

401(k) PLAN

EIN 39-0875718, PLAN 001

FORM 5500, SCHEDULE H, PART IV, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)

December 31, 2017

Identity of Issue, Borrower, Lessor or Similar Party	Description of Investment	Fair Value**
Wells Fargo Short Term Investment Fund*	Money Market	\$12,498
Wells Fargo Stable Return Fund*	Collective Trust Fund	1,476,433
Regal Beloit Corporation Common Stock*	Common Stock	273,079
Vanguard Target Retirement 2020 Fund	Mutual Fund	7,718,410
Nuveen Dividend Value Fund	Mutual Fund	7,312,473
Vanguard Institutional Index Fund	Mutual Fund	7,194,348
Vanguard Target Retirement 2025 Fund	Mutual Fund	6,224,041
Vanguard Target Retirement 2030 Fund	Mutual Fund	4,238,589
Vanguard Target Retirement Fund	Mutual Fund	3,113,300
Vanguard Target Retirement 2040 Fund	Mutual Fund	2,620,063
Pimco Total Return Fund #35	Mutual Fund	2,383,595
Prudential Jennison Mid-Cap Fund	Mutual Fund	2,259,079
Fidelity Contrafund #22	Mutual Fund	2,152,121
Vanguard Target Retirement 2035 Fund	Mutual Fund	1,725,105
Vanguard Target Retirement 2050 Fund	Mutual Fund	1,106,654
MFS Mid Cap Value Fund	Mutual Fund	1,044,072
American Funds Europac Growth Fund	Mutual Fund	1,027,181
Vanguard Target Retirement 2045 Fund	Mutual Fund	753,809
Vanguard Wellington Fund	Mutual Fund	718,097
Baron Growth Fund	Mutual Fund	551,433
Goldman Sachs Small Cap Value Fund	Mutual Fund	413,892
Dodge and Cox International Stock Fund	Mutual Fund	407,959
Vanguard Inflation-Protected Sec Instl Fund	Mutual Fund	392,134
Artisan International Fund	Mutual Fund	289,675
Vanguard Target Retirement 2015 Fund	Mutual Fund	257,009
Fidelity Low Priced Stock Fund	Mutual Fund	251,747
Vanguard Target Retirement 2055 Fund	Mutual Fund	217,636
Vanguard Target Retirement 2060 Fund	Mutual Fund	83,873
Fidelity Extended Market Index Fund	Mutual Fund	46,896
Fidelity Total International Index Fund	Mutual Fund	4,769
Vanguard Target Retirement 2065 Fund	Mutual Fund	146
Notes Receivable (Interest rates ranging from 4.25% to 7.34%, maturing through 12/31/2027)*	Notes Receivable	1,453,862
TOTAL ASSETS HELD (HELD AT END OF YEAR)		\$57,723,978

*Represents a party-in-interest

**Cost information not required as all investments are participant directed

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: June 26, 2018 REGAL POWER TRANSMISSION SOLUTIONS
401(k) PLAN

By: REGAL POWER TRANSMISSION SOLUTIONS 401(k) PLAN
RETIREMENT PLAN COMMITTEE

By: /s/ Robert J. Rehard
Robert J. Rehard
Vice President, Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX
REGAL POWER TRANSMISSION SOLUTIONS 401(k) PLAN
FORM 11-K
FOR THE YEAR ENDED DECEMBER 31, 2017
Exhibit No. Description
23.1 Consent of Independent Registered Public Accounting Firm