TEREX CORP
Form 11-K
June 15, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

OR

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

For the transition period from __________ to __________

Commission file number 1-10702

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

Terex Corporation and Affiliates' 401(k) Retirement Savings Plan

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

Terex Corporation
200 Nyala Farm Road
Westport, Connecticut 06880

TEREX CORPORATION AND AFFILIATES'
401(k) RETIREMENT SAVINGS PLAN

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* 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 are omitted because they are not applicable.

Report of Independent Registered Public Accounting Firm

To the Participants and Administrative Committee of
Terex Corporation and Affiliates’ 401(k) Retirement Savings Plan

Opinion on the Financial Statements

We have audited the accompanying Statements of Net Assets Available for Benefits of the Terex Corporation and Affiliates’ 401(k) Retirement 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, and the related notes to financial statements (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.

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 schedules of delinquent participant contributions for the year ended December 31, 2017 and assets (held at end of year) as of December 31, 2017 (collectively, the "supplemental information") has been subjected to audit procedures performed in conjunction with the audit of the Plan’s financial statements. The supplemental information is the responsibility of the Plan’s management. Our audit procedures included 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, 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 is fairly stated in all material respects in relation to the financial statements as a whole.

/s/ Mayer Hoffman McCann P.C.
Plymouth Meeting, Pennsylvania
June 15, 2018

We have served as the Plan's auditors since 2008.

TEREX CORPORATION AND AFFILIATES’ 401(k) RETIREMENT SAVINGS PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31,	
	2017	2016
ASSETS		
Cash	$—	$100,000
Investments at fair value (see Notes 3 & 4)	540,940,715	470,310,142
Receivables:		
Notes receivable from participants	15,966,467	16,335,031
Employer contributions	609,663	464,564
Participants’ contributions	—	30,804
Other	74,436	45,373
Total receivables	16,650,566	16,875,772
NET ASSETS AVAILABLE FOR BENEFITS	$557,591,281	$487,285,914

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

TEREX CORPORATION AND AFFILIATES’ 401(k) RETIREMENT SAVINGS PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Year Ended December 31, 2017		
ADDITIONS:			
Net appreciation in fair value of investments	$	78,338,085	
Interest and dividends from investments	25,309,312		
Interest from participants’ notes receivable	715,616		
Participant contributions	20,807,846		
Employer contributions	13,840,795		
Rollover contributions	1,539,030		
Total additions	140,550,684		
DEDUCTIONS:			
Benefits paid to participants	(70,330,648		)
Administrative fees, net	85,331		
Total deductions	(70,245,317		)
NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	70,305,367		
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	487,285,914		
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	$	557,591,281	

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

TEREX CORPORATION AND AFFILIATES’ 401(k) RETIREMENT SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF THE PLAN

The following description of the Terex Corporation and Affiliates’ 401(k) Retirement Savings Plan (the “Plan”) provides only general information. Employees covered by the Plan (“Participants" or "Participant”) should refer to the Plan document for a more complete description of the Plan’s provisions.

General – The Plan is a defined contribution plan that covers certain salaried and hourly employees of Terex Corporation and its subsidiaries (the “Company”) meeting minimum eligibility requirements (“Eligible Employees”). The investments of the Plan are held in a trust account by Fidelity Management Trust Company (“Fidelity”), the trustee of the Plan.

The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”).

A committee, consisting of at least three members appointed by the Company’s Board of Directors, administers the benefit structure of the Plan (“Administrative Committee”). The Administrative Committee is considered the plan administrator for purposes of ERISA.

Participant Eligibility – Eligible Employees may begin participation on the first day of the month following their hiring, with the exception of Powerscreen USA, LLC d/b/a Simplicity Engineering, Inc.'s (“Simplicity”) Participants who are subject to collective bargaining agreements, who are eligible to participate in the Plan after 120 days of service.

Contributions – Participants may contribute a maximum of 80% of their compensation to the Plan in any combination of pre-tax, Roth or post-tax contributions. The maximum pre-tax and Roth contributions permitted under Internal Revenue Service (“IRS”) regulations in 2017 was $18,000. Participants age 50 and older can elect to make additional pre-tax and Roth contributions (“catch-up contributions”) up to the limits prescribed by IRS regulations. These additional catch-up contributions are not eligible for matching Company contributions and the maximum catch-up contributions permitted by IRS regulations in 2017 was $6,000.

The Company provides safe harbor matching contributions of 100% of Participant contributions to the Plan up to a maximum of 5% of their compensation.
The Company may make, at its sole discretion, supplementary contributions.

Contributions (excluding catch-up contributions) are limited in that the sum of: a) total Company contributions; b) total Participant pre-tax contributions; c) total Participant Roth contributions and d) total Participant post-tax contributions, cannot exceed the lesser of: i) $54,000 or ii) 100% of the Participant’s total compensation for the year. Participants are able to direct both Participant and Company contributions and redistribute accumulated contributions and earnings between investment alternatives.

For any plan year in which a Participant may make both pre-tax and Roth elective contributions, distribution of excess deferrals shall be made from the pre-tax elective contributions before the Roth elective contributions to the extent such type of elective contributions were made for the year, unless the Participant specifies otherwise.

All employees under the Plan are subject to automatic enrollment for Participant pre-tax contributions equal to 2% of their compensation. Participants may elect to opt out of automatic enrollment. The Plan provides for automatic elective contribution notices.

Vesting – Participants are fully vested immediately in their voluntary contributions and all Company safe harbor matching contributions, plus any actual earnings thereon.

Forfeitures – Nonvested (prior to safe harbor matching provisions) Company contributions of Participants who have separated from the Company become forfeitures and are held in a separate account and may be used to reduce future Company contributions or to pay the Plan’s administrative fees. However, Participants who return to service within five years from their separation date will be entitled to continue vesting in the Company contributions which were previously forfeited. At December 31, 2017 and 2016, respectively, forfeited nonvested accounts totaled $43,914 and $54,083. These accounts will be used to offset future Company contributions or pay the Plan’s administrative fees. During the year ended December 31, 2017, $48,023 of the forfeiture account was used to offset/adjust Company contributions or for payment of the Plan’s expenses.

Participant Accounts – Each Participant’s account is credited with the Participant's contributions and Company matching contributions, as well as an allocation of earnings (losses) from the respective investment funds. A Participant’s contributions and related Company matching contributions are used to purchase shares in the various investment alternatives. The value of and the earnings credited to a Participant’s account are based on the proportionate number of shares owned by the Participant and the fair value of the investment on the valuation date. Participant accounts are charged with an allocation of administrative expenses that are paid by the Plan. Allocations are based on participant earnings, account balances, or specific participant transactions. The benefit to which a participant is entitled is the benefit that can be provided from the participant’s vested account.

Payment of Benefits – Upon retirement, disability or death, the entire balance of the Participant’s account becomes payable to the Participant or designated beneficiary(ies). Upon any other termination of employment, the Participant receives the entire balance of his/her account; however, if the balance of the Participant’s account is greater than $5,000 the Participant can elect to keep the investments in the Plan. Withdrawals are also permitted for financial hardship, basic Roth contributions, rollover and after-tax contributions, as defined in the Plan document, or upon attainment of age 59-1/2.

In the event the Participant does not direct the distribution, the Administrative Committee is allowed to designate an individual retirement plan for a mandatory distribution greater than $1,000. For amounts less than $1,000 a distribution is made to the Participant.

Notes Receivable from Participants – Participants may obtain loans between $1,000 and an amount up to the lesser of $50,000 or 50% of the vested portion of their account balance, subject to the discretion of the plan administrator and certain other restrictions. Terms of all loans are established by the Administrative Committee. As of December 31, 2017, interest rates on Participant loans ranged from 4.25% to 9.00% with maturities at various dates through 2032.

Participant-directed Investments – All assets of the Plan are Participant-directed investments. Participants have the option of directing their account balance to one or more different investment options. The investment options include various mutual funds, the Fidelity Managed Income Portfolio Class II common collective trust (the "Trust"), Terex Corporation common stock or a self-directed brokerage account. If a Participant does not elect an investment option in which to invest their deferrals, the Plan will invest their contributions in a Qualified Default Investment Alternative.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting.

Expenses – Fees and expenses related to administering the Plan are generally paid by the Company. Investment management fees and loan administration fees are paid by Participants. The trust agreement between the Plan and Fidelity includes a Revenue Credit Program. Under this program, in situations where Fidelity earns record keeping fees in excess of the agreed-upon compensation, Fidelity is required to remit those excess fees (“Revenue Credits”) to the Plan to be used to pay ERISA qualified expenses (See Note 6). Fidelity funds the Revenue Credits quarterly in arrears, generally 15 days after quarter-end. The Plan recorded Other receivables of $74,436 and $45,373 related to Revenue Credits at December 31, 2017 and 2016, respectively.

Payment of Benefits – Benefits are recorded when paid.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of investment income and expenses during the reporting period. Actual results could differ significantly from those estimates.

Investment Valuation and Income Recognition – The Plan’s investments in mutual funds, self-directed brokerage accounts, Terex Corporation common stock and the Trust are reported at fair value. Fair value is 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. The fair value of the Trust is recorded as contract value. The Administrative Committee determines the Plan’s valuation policies utilizing information provided by the investment advisers and trustee (see Note 3). Shares of mutual funds are valued at the net asset value ("NAV") of shares held by the Plan at year-end. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Net appreciation/(depreciation) in the aggregate fair value of investments is comprised of all realized and unrealized gains and losses during the year. Dividends are recorded on the ex-dividend date.

Notes Receivable from Participants – Notes receivable from Participants are measured at their unpaid principal balance plus accrued but unpaid interest. Interest income is recorded on the accrual basis. Delinquent Participant loans are reclassified as distributions based upon the terms of the Plan document. No allowance for credit losses has been recorded as of December 31, 2017 or 2016.

3. FAIR VALUE MEASUREMENT

The Plan performs fair value measurements in accordance with Financial Accounting Standards Board issued Accounting Standards Codification (“ASC”) 820, “Fair Value Measurement and Disclosure” (“ASC 820”), which defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Plan considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

ASC 820 also establishes a fair value hierarchy that requires the Plan to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Determining which category an asset or liability falls within this hierarchy requires judgment. ASC 820 establishes three levels of inputs that may be used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).
The Plan’s valuation methodology used to measure the fair value of common stock and mutual funds was derived from quoted market prices as all of these instruments have active markets. The Trust is valued at NAV which is the contract value reported by the Trust and is not included in the fair value hierarchy.

Investments measured at fair value on a recurring basis consisted of the following types of instruments as of December 31, 2017:

	12/31/2017	Level 1
Investments measured in the fair value hierarchy:		
Mutual Funds	$449,394,395	$449,394,395
Self-directed - Fidelity Brokerage Link	4,493,976	4,493,976
Terex Corporation Common Stock	69,134,388	69,134,388
Total investments measured in the fair value hierarchy	523,022,759	$523,022,759
Investments measured at NAV:		
Common collective trust	17,917,956	
Total investments at fair value	$540,940,715	

Investments measured at fair value on a recurring basis consisted of the following types of instruments as of December 31, 2016:

	12/31/2016	Level 1
Investments measured in the fair value hierarchy:		
Mutual Funds	$392,772,315	$392,772,315
Self-directed - Fidelity Brokerage Link	2,687,993	2,687,993
Terex Corporation Common Stock	50,302,552	50,302,552
Total investments measured in the fair value hierarchy	445,762,860	$445,762,860
Investments measured at NAV:		
Common collective trust	24,547,282	
Total investments at fair value	$470,310,142	