

ALLEGHENY TECHNOLOGIES INC

Form 11-K

June 08, 2018

UNITED STATES

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

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO  
FEE REQUIRED]

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

..TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
[NO FEE REQUIRED]

FOR THE TRANSITION PERIOD FROM            TO  
COMMISSION FILE NUMBER 1-12001

THE ATI RETIREMENT PLAN

(Title of Plan)

ALLEGHENY TECHNOLOGIES INCORPORATED

(Name of Issuer of securities held pursuant to the Plan)

1000 Six PPG Place, Pittsburgh, Pennsylvania 15222-5479

(Address of Plan and principal executive offices of Issuer)

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

The ATI Retirement Plan

As of December 31, 2017 and 2016 and for the Year Ended December 31, 2017

With Report of Independent Registered Public Accounting Firm

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The ATI Retirement Plan  
Audited Financial Statements  
and Supplemental Schedule  
As of December 31, 2017 and 2016 and for the Year Ended December 31, 2017  
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Report of Independent Registered Public Accounting Firm  
Allegheny Technologies Incorporated  
Pittsburgh, Pennsylvania

#### Opinion on the Financial Statements

We have audited the accompanying statements of net assets available for benefits of the ATI Retirement 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 (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 accompanying schedule of assets (held at end of year) 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/ Schneider Downs & Co., Inc.

We have served as the Plan's auditor since 2013  
Columbus, Ohio  
June 8, 2018

The ATI Retirement Plan  
Statements of Net Assets Available for Benefits

	December 31	
	2017	2016
Investments at fair value:		
Interest in Allegheny Technologies Incorporated Master Trust	\$221,803,404	\$206,019,814
Interest in ATI Company Stock Fund Master Trust	40,312,549	—
Interest in registered investment companies	1,907,673	2,115,704
Total investments at fair value	264,023,626	208,135,518
Investments at contract value:		
Interest in Allegheny Technologies Incorporated Master Trust	57,182,760	60,332,380
Total investments at contract value	57,182,760	60,332,380
Notes receivable from participants	10,895,274	15,006,365
Employer contributions receivable	482,205	621,099
Employee contributions receivable	—	329,639
	11,377,479	15,957,103
Net assets available for benefits	\$332,583,865	\$284,425,001
See accompanying notes.		

The ATI Retirement Plan  
Statement of Changes in Net Assets Available for Benefits

	Year Ended December 31, 2017
Contributions:	
Employee	\$ 10,835,395
Employer	3,585,621
Rollovers	9,997
Total contributions	14,431,013
Interest income on notes receivable from participants	639,315
Investment income (loss):	
Net investment gain from Plan interest in Allegheny Technologies Incorporated Master Trust	36,047,575
Net investment gain from Plan interest in ATI Company Stock Fund Master Trust	12,560,322
Net gain from interest in registered investment companies	182,398
Other loss	(38,946 )
Total investment income	48,751,349
	63,821,677
Benefits paid to participants	(39,008,359 )
Fees	(26,780 )
	(39,035,139 )
Net increase in net assets available for benefits prior to transfers	24,786,538
Transfers into plan, net	23,372,326
Net increase in net assets available for benefits	48,158,864
Net assets available for benefits at beginning of year	284,425,001
Net assets available for benefits at end of year	\$ 332,583,865
See accompanying notes.	

The ATI Retirement Plan  
Notes to Financial Statements  
December 31, 2017

1. Description of the Plan

The ATI Retirement Plan (the Plan) is a defined contribution plan and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan's sponsor is Allegheny Technologies Incorporated (ATI, the Plan Sponsor, or the Company). Effective June 30, 2017, all participants in the ATI Ladish Hourly Employees Savings and Deferral Investment Plan were transferred into the Plan. In addition, in conjunction with the Plan's transition to a new trustee in 2017 as discussed below, there was a transfer out of the Plan into the The ATI 401(k) Saving Plan, another ATI sponsored plan, primarily to combine account balances for employees who maintained balances in both the Plan and the ATI 401(k) Savings Plan into one account balance in their currently enrolled plan. Following these plan transfers, eligible participants in the Plan consist of employees with defined contribution benefits that are provided in accordance with collectively bargained labor agreements across all of ATI's U.S. operations. The following brief description of the Plan is provided for general information purposes only. Participants should refer to the summary plan description for more complete information regarding eligibility, vesting, contributions, and withdrawals.

The purpose of the Plan is to provide retirement benefits to eligible employees through company contributions, and to encourage employee thrift by permitting eligible employees to defer a part of their compensation and contribute such deferrals to the Plan. The Plan allows employees to contribute a portion of eligible wages each pay period through payroll deductions subject to Internal Revenue Code (the Code) limitations. Unless otherwise specified by the participant, contributions are invested in the Qualified Default Investment Alternative, which is the Vanguard Target Retirement Fund that most closely matches the participants 65<sup>th</sup> birthday date.

For certain employees in the Plan, qualifying employee contributions are matched by the respective employing companies that are affiliates of ATI based on various formulas including as a percentage of employee contributions, or as a flat dollar amount which can be based on years of service. Employees at certain ATI operations receive an employer contribution to the Plan based on hours worked or at the discretion of the operation's Board of Directors based on its current or accumulated profits for the Plan year. The specific conditions, amounts and criteria governing eligibility for the various employer contributions are set forth in the Plan documents or individual bargaining agreements. The Plan allows participants to direct their contributions, and contributions made on their behalf to any of the investment options offered by the Plan. Effective in January 2017, participants are restricted to a 10% contribution and investment limit in the ATI Stock Fund.

Participants are vested immediately in their contributions plus actual investment performance thereon. Many employees in the Plan are immediately vested in all company contributions. For certain employees, vesting in the Company's contributions varies based on employee group classification and/or years of service not to exceed 6 years. Participant forfeitures are used to reduce future employer contributions or in the absence of such contributions, are distributed equally to certain Plan participants.

Separate accounts are maintained by the Plan Sponsor for each participating employee. All expenses incurred in the administration of the Plan, including those charged by the Plan's trustees are paid by the Plan, except as paid for or reimbursed by the Company. Through June 30, 2017, Mercer Trust Company was the Plan's trustee. Effective July 1, 2017, the Plan's trustee for the Company stock fund is Benefit Trust Company and the Plan's trustee of all other Plan assets is AON Trust Company. Participants may make "in-service" and hardship withdrawals as outlined in the plan document.

Active employees can borrow up to 50% of their vested account balances minus any outstanding loans. The loan amounts are further limited to a minimum of \$500-\$1,000 and a maximum of \$50,000, and an employee can obtain no more than three loans at one time. Interest rates are determined based on commercially accepted criteria, and payment schedules vary based on the type of the loan. General-purpose loans are repaid over 6 to 60 months, and primary residence loans are repaid over periods up to 180 months. Principal and interest payments are made by payroll deductions.

## 2. Significant Accounting Policies

### Use of Estimates and Basis of Accounting

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

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### Investment Valuation

The investments in master trusts, representing the Plan's interest in the net assets of these master trusts, are stated at fair value, or, for fully benefit-responsive investment contracts, at contract value. Contract value is the relevant measurement attributable to fully benefit-responsive investment contracts, because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The contract value represents contributions plus earnings, less participant withdrawals and administrative expenses.

The assets of the master trusts, as well as income/losses, 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 all plans, in proportion to the fair value of the assets assigned to each plan, income and expenses resulting from the collective investments of the assets of the master trusts.

### Payment of Benefits

Benefits are recorded when paid.

### Notes Receivable from Participants

Notes receivable from participants represent participant loans that are recorded at their unpaid principal balance plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded when it is earned. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses were recorded as of December 31, 2017 or 2016. If a participant ceases to make a note repayment and the Plan administrator deems the note to be a distribution, the note receivable balance is reduced and a benefit payment is recorded.

### 3. Investments

Certain assets of the Plan, along with the assets of various other ATI sponsored plans, are part of master trusts. The Plan also permits self-directed investments in registered investment companies that are maintained in accounts separate from the master trusts. Through June 30, 2017, certain assets of the Plan were commingled in the Allegheny Technologies Incorporated Master Trust with the assets of other ATI sponsored defined contribution plans for investment and administrative purposes. Effective July 1, 2017, assets invested in Company stock were moved to the ATI Company Stock Fund Master Trust in which assets of the Plan are commingled with the assets of another ATI sponsored defined contribution plan for investment and administrative purposes. All remaining assets of the Plan remained in the Allegheny Technologies Incorporated Master Trust.

The following table is a summary, at fair value, of the net assets of the master trusts by investment type as of December 31, 2017 and 2016:

	2017		2016	
	Master Trust Balances	Plan's Interest in Master Trust Balances	Master Trust Balances	Plan's Interest in Master Trust Balances
<b>Allegheny Technologies Incorporated Master Trust:</b>				
Common collective trusts	\$543,337,806	\$158,528,675	\$489,368,944	\$136,063,200
Registered investment companies	270,960,966	60,471,308	216,426,850	37,963,384
Corporate common stocks	—	—	72,658,442	31,794,383
Other	7,528,354	2,803,421	713,945	198,847
Total investments at fair value	\$821,827,126	\$221,803,404	\$779,168,181	\$206,019,814
Plan's interest in master trust		27	%	26
				%
<b>ATI Company Stock Fund Master Trust:</b>				
Corporate common stock	\$91,616,341	\$40,034,585	\$—	\$—
Other	636,100	277,964	—	—
Total investments at fair value	\$92,252,441	\$40,312,549	\$—	\$—
Plan's interest in master trust		44	%	—
				%



The following table is a summary, at contract value, of the net assets of the Allegheny Technologies Incorporated Master Trust by investment type as of December 31, 2017 and 2016:

	2017		2016	
	Master Trust Balances	Plan's Interest in Master Trust Balances	Master Trust Balances	Plan's Interest in Master Trust Balances
Allegheny Technologies Incorporated Master Trust:				
Synthetic investment contracts	\$ 152,041,371	\$ 57,182,760	\$ 150,219,352	\$ 51,161,199
Guaranteed investment contracts	—	—	26,928,391	9,171,181
Total investments at contract value	\$ 152,041,371	\$ 57,182,760	\$ 177,147,743	\$ 60,332,380

Investment income attributable to the master trusts for the year ended December 31, 2017 was as follows:

	Allegheny Technologies Incorporated Master Trust	ATI Company Stock Fund Master Trust
Net appreciation in fair value of investments	\$ 131,669,350	\$ 28,817,638
Investment income from investments at fair value	4,349,528	2,507
Investment income from investments at contract value	2,796,603	—
Expenses		
Administrative expenses and other, net	(1,211,589)	—
Total investment income	\$ 137,603,892	\$ 28,820,145

Administrative fees for the ATI Company Stock Fund Master Trust are paid by the Allegheny Technologies Incorporated Master Trust.

Investments accounted for at contract value are held by the BNY Mellon Stable Value Fund (the Fund), which may invest in a diversified portfolio of guaranteed investment contracts including synthetic investment contracts, separate account contracts, cash and cash equivalents, and other instruments that can be carried at book value. All of these assets allow participant-directed transactions to be made at contract value. The assets underlying the synthetic investment contracts may include U.S. Treasury bonds, agency bonds, corporate bonds, residential mortgage backed securities, asset-backed securities, commercial mortgage-backed securities, and common collective trusts. These assets are owned by the Plan. As of December 31, 2017, the Fund had a product allocation of 4% to cash, 26% to fixed maturity contracts and 70% to constant duration contracts.

Interest crediting rates on the contracts held in the Fund are determined at the time of purchase. Such crediting rates are reviewed and may be reset on a quarterly basis.

Typically, the investment contracts in the Fund do not have a stated final maturity, but contracts wrapping individual bonds may have a gradual tapering of duration unless new bonds are purchased within the investment contract. These contracts are referred to as “fixed maturity” contracts, while “constant duration” contracts invest in common collective trusts or actively managed accounts, managed against a stated benchmark or to a targeted duration.

Certain investment contracts in the Fund may provide for adjustment to contract value for withdrawals made prior to termination. If the Plan were deemed to be in violation of ERISA or lose its tax exempt status, among other events, the issuers of the fully benefit responsive investment contracts would have the ability to terminate the contracts and settle at an amount different from contract value.

Certain investments are subject to restrictions or limitations if the Plan Sponsor decides to entirely exit an investment. Investments in registered investment companies, common collective trusts and the Fund may require at least 30 days prior notice to completely withdraw from the investments. The targeted date fund investments held in common collective trusts currently do not require the prior approval of the investment manager if the Plan Sponsor decides to

entirely exit these investments, but prior trade date notification is necessary to effect timely securities settlement or delivery of an investment's liquidation and transfer to another investment. The Plan had no unfunded commitments as of December 31, 2017 and 2016.

#### 4. Fair Value Measurement

In accordance with accounting standards, 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.

The accounting standards establish a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

##### Determination of Fair Value

Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon models that primarily use, as inputs, market-based or independently sourced market parameters, including yield curves, interest rates, volatilities, equity or debt prices, foreign exchange rates and credit curves. In addition to market information, models may also incorporate transaction details, such as maturity. Valuation adjustments, such as liquidity valuation adjustments, may be necessary when the Plan is unable to observe a recent market price for a financial instrument that trades in inactive (or less active) markets. Liquidity adjustments are not taken for positions classified within Level 1 (as defined below) of the fair value hierarchy.

The methods described below may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. There have been no changes in the methodologies used at December 31, 2017 and 2016.

##### Valuation Hierarchy

The three levels of inputs to measure fair value are as follows:

Level 1 – Quoted prices in active markets for identical assets and liabilities.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

##### Valuation Methodologies

The valuation methodologies used for assets and liabilities measured at fair value, including their general classification based on the fair value hierarchy, include the following:

Cash and cash equivalents – Where the net asset value (NAV) is a quoted price in a market that is active, it is classified within Level 1 of the valuation hierarchy. In certain cases, NAV is a quoted price in a market that is not active, or is based on quoted prices for similar assets and liabilities in active markets, and these investments are classified within Level 2 of the valuation hierarchy.

Corporate common stocks – These investments are valued at the closing price reported on the major market on which the individual securities are traded. Common stock is classified within Level 1 of the valuation hierarchy.

Common collective trust funds – These investments are investment vehicles valued using the NAV, as a practical expedient, provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding.

Registered investment companies – These investments are public investment vehicles valued using the NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. Where the NAV is a quoted price in a market that is active, it is classified within Level 1 of the valuation hierarchy.

The following tables present the financial instruments of the master trusts at fair value by caption on the statement of net assets available for benefits and by category of the valuation hierarchy (as described above) as of December 31, 2017 and 2016. The master trusts had no assets classified within Level 2 or Level 3 of the valuation hierarchy. There were no reclassifications of assets between levels of the fair value hierarchy for the period presented.

Master trust assets measured at fair value on a recurring basis:

December 31, 2017	Level 1	NAV (a)	Total
Common collective trusts	\$—	\$543,337,806	\$543,337,806
Registered investment companies	270,960,966	—	270,960,966
Corporate common stock	91,616,341	—	91,616,341
Other	8,164,454	—	8,164,454
	\$370,741,761	\$543,337,806	\$914,079,567

December 31, 2016	Level 1	NAV (a)	Total
Common collective trusts	\$—	\$489,368,944	\$489,368,944
Registered investment companies	216,426,850	—	216,426,850
Corporate common stock	72,658,442	—	72,658,442
Other	713,945	—	713,945
	\$289,799,237	\$489,368,944	\$779,168,181

(a) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in Note 3 and to the statements of assets available for benefits.

In addition to the Plan's investments in the master trusts, the Plan held \$1,907,673 and \$2,115,704 in self-directed accounts as of December 31, 2017 and 2016, respectively. These self-directed accounts are invested in registered investment companies and are categorized as Level 1 assets.

#### 5. Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service (IRS) dated October 13, 2015, stating that the Plan is qualified under Section 401(a) of the Code and, therefore, the related trust is exempt from taxation. Subsequent to the effective date of the amendments addressed by the determination letter, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended, is qualified and the related trust is tax-exempt.

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. The earliest tax year open to U.S. Federal examination is 2014.

#### 6. Plan Termination

Although it has not expressed any intent to do so, the employing companies have the right under the Plan to discontinue their contributions at any time and to terminate their respective participation in the Plan subject to the provisions of ERISA. However, no such action may deprive any participant or beneficiary under the Plan of any vested right. In the event of Plan termination, participants would become 100% vested in their employer contributions.

#### 7. Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risk 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 statements of net assets available for benefits.



8. Party-In-Interest Transactions

At December 31, 2017 and 2016, the Plan held 1,402,054 and 1,667,047 shares, respectively, of common stock of ATI, the sponsoring employer, with fair value of \$40,034,585 and \$31,794,383, respectively. The shares held by the Plan at December 31, 2017 and 2016 reflect the Plan's interest in the master trusts. During the year ended December 31, 2017, the Plan recorded an investment gain of \$12,560,322 related to its investment in the common stock of ATI.



The ATI Retirement Plan

EIN: 25-1792394 Plan: 005

Schedule H, Line 4i-Schedule of Assets (Held at End of Year)

December 31, 2017

Description	Current Value
Participant loans* (4.25% to 6.25%, with maturities through 2032)	\$ 10,895,274
Registered investment companies - Self-directed accounts	1,907,673

\*Party-in-interest

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the administrators of the Plan have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

**ALLEGHENY TECHNOLOGIES INCORPORATED**

**THE ATI RETIREMENT PLAN**

Date: June 8, 2018 By: /s/ Karl D. Schwartz  
Karl D. Schwartz  
Vice President, Controller and Chief Accounting Officer  
(Principal Accounting Officer and Duly Authorized Officer)