

CHEMICAL FINANCIAL CORP
Form 11-K
June 28, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS
AND SIMILAR PLANS PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One):

ANNUAL REPORT PURSUANT TO 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 No. 000-08185

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

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office: Chemical Financial Corporation, 235 E. Main Street, Midland, Michigan 48640.

Chemical Financial Corporation
401(k) Savings Plan

Audited Financial Statements
as of and for the years ended
December 31, 2017 and 2016,

and
Supplemental Schedule
as of December 31, 2017

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Report of Independent Registered Public Accounting Firm

The Compensation and Pension Committee
Chemical Financial Corporation
401(k) Savings Plan

Opinion on the Financial Statements

We have audited the accompanying statements of net assets available for benefits of the Chemical Financial Corporation 401(k) Savings Plan as of December 31, 2017 and 2016, and the related statement of changes in net assets available for benefits for the years then ended 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 years then ended, 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 these 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 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 risk of material misstatement of the financial statements, whether due to fraud or error, and performing procedures to 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 schedule of assets (held at end of year) as of 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 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.

We have served as the Plan’s auditor since 2008.

/s/ Andrews Hooper Pavlik PLC

Saginaw, Michigan
June 28, 2018

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Chemical Financial Corporation
401(k) Savings Plan

Statements of Net Assets Available for Benefits

	December 31,	
	2017	2016
Assets		
Investments, at fair value:		
Chemical Financial Corporation common stock *	\$ 13,224,735	\$ 14,267,132
Mutual funds	149,164,835	120,937,238
Cash and cash equivalents	5,236,284	6,883,666
Total investments, at fair value	167,625,854	142,088,036
Notes receivable from participants	3,381,069	3,335,467
Participant contribution receivable	363,406	294,811
Employer contribution receivable	325,908	266,818
Other receivables	55,739	—
Total receivables	4,126,122	3,897,096
Net assets available for benefits	\$ 171,751,976	\$ 145,985,132

* Party-in-interest

See accompanying notes to financial statements.

Chemical Financial Corporation
401(k) Savings Plan

Statements of Changes in Net Assets Available for Benefits

	Years Ended December 31,	
	2017	2016
Additions		
Contributions:		
Participants	\$11,161,336	\$7,516,308
Employer	9,117,486	6,426,473
Participant rollovers	2,708,794	25,254,571
Total contributions	22,987,616	39,197,352
Investment income:		
Chemical Financial Corporation dividends	290,218	296,602
Mutual fund dividends	2,330,993	1,861,025
Interest income	34,419	10,393
Total investment income	2,655,630	2,168,020
Interest on notes receivable from participants	126,879	93,214
Other income	45,797	—
Total additions	25,815,922	41,458,586
Deductions		
Benefits paid directly to participants	(21,065,827)	(10,680,315)
Administrative fees	(111,537)	(8,880)
Total deductions	(21,177,364)	(10,689,195)
Net appreciation in fair value of investments	21,128,286	11,005,959
Net increase	25,766,844	41,775,350
Net assets available for benefits at beginning of year	145,985,132	104,209,782
Net assets available for benefits at end of year	\$171,751,976	\$145,985,132

See accompanying notes to financial statements.

Chemical Financial Corporation
401(k) Savings Plan
Notes to Financial Statements
December 31, 2017

1. Description of the Plan

The following description of the Chemical Financial Corporation (the "Corporation") 401(k) Savings Plan (the "Plan") provides only general information. Participants should refer to the Plan agreement for a complete description of the Plan's provisions.

General

The Plan is a defined contribution plan covering all employees of the Corporation. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Contributions

Each year, Plan participants may contribute up to 85% of pretax annual compensation not to exceed the Internal Revenue Code of 1986 (the "Code") limitation, as defined in the Plan. Participants may also contribute amounts representing rollover distributions from other qualified defined benefit or defined contribution plans. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions.

The Corporation contributes matching contributions equal to 50% of the participant's contributions ("matching contributions"). In determining the Corporation's matching contributions, participant contributions up to 4% of a participant's eligible compensation are matched. The Corporation also contributes 4% of certain employees' eligible compensation ("non-elective contributions"). The employees eligible for this additional contribution are those affected by a partial freeze of the Corporation's defined benefit pension plan, which was effective June 30, 2006, all new employees hired subsequent to June 30, 2006 and those employees affected by the freeze of the Corporation's defined benefit pension plan effective September 30, 2017 beginning October 1, 2017. Effective January 1, 2018, the Corporation's matching contribution is 100% of the participant's contributions up to 6% of a participant's eligible compensation and the additional 4% non-elective contribution by the Corporation was discontinued.

Participant Accounts

Each participant's account is credited with the participant's contributions and allocations of (a) the Corporation's contributions and (b) Plan earnings. Participants direct the investment of their accounts among the investment funds offered by the Plan. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

Vesting

Participants are immediately vested in their contributions and actual earnings thereon. The Corporation's matching contributions vest in accordance with the following schedule:

Years of Service Percentage

Less than three	0	%
Three or more	100	%

Effective January 1, 2018, participants will be 100% vested in the matching contributions. Vesting for the matching contributions made prior to January 1, 2018 will follow the vesting schedule noted above.

Chemical Financial Corporation
 401(k) Savings Plan
 Notes to Financial Statements (continued)

The Corporation's 4% non-elective retirement contributions are subject to the following vesting schedule.

Years of Service	Percentage
Less than two years	0 %
Two	20 %
Three	40 %
Four	60 %
Five	80 %
Six or more	100 %

Notes Receivable from Participants

Participants may borrow from their participant accounts a minimum of \$1,000 and up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance. Loan terms range from 1-5 years. The loans are secured by the balance in the participant's account and bear interest at a rate commensurate with local prevailing market interest rates as determined monthly by the plan administrator. Principal and interest are paid ratably through payroll deductions. Notes receivable from participants are valued at their unpaid principal balance plus accrued but unpaid interest.

Payment of Benefits

On termination of service or upon death, disability or retirement, a participant may request a benefit payment. Benefit payments are distributed in a lump-sum amount equal to the vested value of the participant's account. Payment of benefits may not be deferred by participants beyond their attainment of age 70-1/2, unless they are an active employee.

Forfeitures

If a participant terminates employment, any non-vested Corporation provided portion of the participant's account may be forfeited. Forfeitures are used to reduce future contributions of the Corporation. At December 31, 2017 and 2016 forfeited accounts totaled \$6,055 and \$0, respectively. During the year ended December 31, 2017 and 2016, employer contributions were reduced by \$530,321 and \$605,431, respectively, from forfeitures.

2. Summary of Accounting Policies

Investment Valuation

The Plan's investments are stated at fair value. Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the Plan year. Mutual funds are stated at quoted market prices which represent the net asset value of shares held by the Plan at year-end.

Chemical Financial Corporation common stock had a market value of \$53.47 per share at December 31, 2017 and \$54.17 per share at December 31, 2016.

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.

Chemical Financial Corporation
401(k) Savings Plan
Notes to Financial Statements (continued)

Plan Termination

Although it has not expressed the intention to do so, the Corporation reserves the right to terminate the Plan at any time by resolution of its Board of Directors subject to the provisions of ERISA. In the event of Plan termination, all participants will be 100% vested in their accounts. The value of the participant accounts will be determined as of the effective date of the termination and distributed as provided by the Plan.

Administration

Administrative fees of the Plan include certain fees charged directly to individual participants, related directly to transactions or events associated with individual participant accounts. Expenses of administering the Plan are paid directly by the Corporation outside of the Plan.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires the Plan's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities.

Actual results could differ from those estimates.

Recent Accounting Pronouncements

There were no accounting pronouncements that were issued or became effective during the year ended December 31, 2017, that had, or are expected to have, a material impact on the Plan's net assets available for benefits or financial statement disclosures.

3. Fair Value Measurements

U.S. GAAP provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under U.S. GAAP are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

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;
- 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.

Chemical Financial Corporation
 401(k) Savings Plan
 Notes to Financial Statements (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for Plan assets measured at fair value.

Chemical Financial Corporation common stock: Valued at the closing price reported on the Nasdaq stock market.

Mutual funds: Valued at the net asset value, based on quoted market prices in active markets, of shares held by the Plan at year end.

The methods described above 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 fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets measured at fair value at December 31, 2017 and 2016:

	Level 1	Level 2	Level 3	Total
December 31, 2017				
Chemical Financial Corporation common stock	\$13,224,735	\$ —	—	—\$13,224,735
Mutual funds	149,164,835	—	—	149,164,835
Total	\$162,389,570	\$ —	—	—\$162,389,570
December 31, 2016				
Chemical Financial Corporation common stock	\$14,267,132	\$ —	—	—\$14,267,132
Mutual funds	120,937,238	—	—	120,937,238
Total	\$135,204,370	\$ —	—	—\$135,204,370

4. Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service, dated March 31, 2008, stating that the Plan is qualified under Section 401(a) of the Code and, therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan has been amended since receiving the determination letter. The Plan Administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan is qualified and the related trust is tax exempt.

Chemical Financial Corporation
 401(k) Savings Plan
 Notes to Financial Statements (continued)

5. Party-in-Interest

The Plan held the following assets with parties-in-interest at December 31:

Party-in-Interest	Description of Asset	2017	2016
Chemical Financial Corporation	Common stock	\$13,224,735	\$14,267,132
Chemical Bank	Cash and cash equivalents	5,236,284	6,883,666

At times, the Plan receives a revenue credit from Chemical Bank Wealth Management. A revenue credit program is a refund of a portion of the revenue fund managers have received based on the funds participants have chosen. This credit is reflected in "other income" on the Statements of Changes in Net Assets Available for Benefits. Certain Plan fees are paid through the revenue credit program. For the years ended December 31, 2017 and 2016, \$45,797 and \$0 of other income was paid under this revenue credit program, respectively.

Fees paid for trustee services rendered by parties-in-interest are reported on the Statements of Changes in Net Assets Available for Benefits in administrative fees.

6. Risk and Uncertainties

The Plan invests in various mutual funds. Mutual funds are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain mutual funds, it is reasonably possible that changes in the values of mutual funds 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.

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Chemical Financial Corporation
 401(k) Savings Plan
 EIN: 38-2022454 — Plan Number 002
 Schedule H, Line 4i—Schedule of Assets (Held at End of Year)
 December 31, 2017

(b) (a) Identity of Issue, Borrower, Lessor or Similar Party Common Stock:	(c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	(e) (d) Current Cost Value
* Chemical Financial Corporation	Common Stock, \$1.00 par value per share	** \$13,224,735
Mutual Funds:		
Federated Investors	Institutional High Yield Bond Fund	** 1,225,416
Fidelity Investments	Fidelity Puritan Fund	** 4,864,641
	Fidelity Small Cap Discovery	** 3,896,688
	Fidelity Advisors Small Cap Growth	** 344,901
Vanguard Investments	Vanguard Target Income Fund	** 1,160,148
	Vanguard Target 2015 Fund	** 1,555,183
	Vanguard Target 2020 Fund	** 8,102,790
	Vanguard Target 2025 Fund	** 7,833,176
	Vanguard Target 2030 Fund	** 12,885,975
	Vanguard Target 2035 Fund	** 6,639,188
	Vanguard Target 2040 Fund	** 8,887,090
	Vanguard Target 2045 Fund	** 3,842,939
	Vanguard Target 2050 Fund	** 6,563,918
	Vanguard Target 2055 Fund	** 3,730,970
	Vanguard Target 2060 Fund	** 459,246
	Vanguard Target 2065 Fund	** 1,825
	Vanguard Inflation Protected Securities Fund	** 1,441,566
	Vanguard Short-Term Bond Investment Grade Fund	** 1,114,382
	Vanguard 500 Index Fund I Shares	** 15,328,028
	Vanguard Intermediate Term Treasury Fund	** 1,452,590
	Vanguard Short-Term Federal Bond Fund	** 2,656,176
	Vanguard Mid-Cap Value Index Fund	** 2,084,504
	Vanguard Mid-Cap Fund	** 45,785
	Vanguard Developed Markets Index Fund	** 3,177,098
Other Mutual Funds	Baird Core Plus Bond Fund	** 5,071,690
	Columbia Dividend Income Y Fund	** 7,356,252
	Janus Henderson Small Cap Value	** 72,345
	American Funds New World	** 2,682,352
	Oppenheimer Int'l Growth Fund	** 5,246,215
	Principal Mid Cap Fund	** 15,011,130
	Principal Real Estate Securities CL I Fund	** 1,790,278
	T Rowe Price Growth Fund	** 11,962,906
	Tweedy Browne Global Value Fund	** 677,444
Total Mutual Funds		149,164,835

Cash and cash equivalents:		
* Chemical Bank	ChemSweep-Money Market	** 4,064,741
* Chemical Bank	ChemSecure-Money Market	** 1,171,543
Total cash and cash equivalents		5,236,284
Total investments, at fair value		\$ 167,625,854
* Participant loans	Interest rate range: 3.25% to 5.48%; with various maturity dates	— \$3,381,069

*Party-in-interest

**Historical cost information is not required for participant directed investments.

Chemical Financial Corporation
401(k) Savings Plan

Exhibits:

23.1 Consent of Andrews Hooper Pavlik PLC dated June 28, 2018.

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SIGNATURES

The Plan. 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 28, 2018 CHEMICAL FINANCIAL CORPORATION 401(K)
SAVINGS PLAN

By: /s/ Lori A. Gwizdala
Lori A. Gwizdala
Executive Vice President, Chemical Financial Corporation, and Administrator of the Chemical
Financial Corporation 401(k) Savings Plan

EXHIBIT INDEX

Exhibit Document

23.1 Consent of Andrews Hooper Pavlik PLC dated June 28, 2018.

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