ALTRIA GROUP, INC.
Form 11-K
June 09, 2016
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, 2015

OR

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

For the transition period from to

Commission file number 1-08940

Deferred Profit-Sharing Plan for Salaried Employees
(Full title of the plan)
ALTRIA GROUP, INC.
6601 West Broad Street
Richmond, Virginia 23230
(Name of issuer of the securities held pursuant to the plan
and address of its principal executive office.)

DEFERRED PROFIT-SHARING PLAN FOR SALARIED EMPLOYEES
ANNUAL REPORT ON FORM 11-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015
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Exhibit
23. Consent of Independent Registered Public Accounting Firm


* Other schedules required by 29 CFR 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, as amended, are omitted because they are not applicable.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Administrator of the Deferred Profit-Sharing Plan for Salaried Employees:

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the Deferred Profit-Sharing Plan for Salaried Employees (the “Plan”) at December 31, 2015 and 2014 and the changes in net assets available for benefits for the year ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan’s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The supplemental schedules of Delinquent Participant Contributions and Assets (Held at End of Year) as of December 31, 2015 have been subjected to audit procedures performed in conjunction with the audit of the Plan’s financial statements. The supplemental schedules are the responsibility of the Plan’s management. Our audit procedures included determining whether the supplemental schedules reconcile 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 schedules. In forming our opinion on the supplemental schedules, we evaluated whether the supplemental schedules, including their form and content, are 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 schedules of Delinquent Participant Contributions and Assets (Held at End of Year) are fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ PRICEWATERHOUSECOOPERS LLP

Richmond, Virginia

June 9, 2016

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DEFERRED PROFIT-SHARING PLAN FOR SALARIED EMPLOYEES
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
(in thousands of dollars)

| At December 31, | 2015 | 2014 |
|---|---|---|
| Investments at fair value: | | |
| Investment in Master Trust A | $2,132,111 | $2,185,584 |
| Investment in Master Trust B | 1,860,290 | 1,671,060 |
| Total investments | 3,992,401 | 3,856,644 |
| | | |
| Receivables: | | |
| Employer’s contribution | 52,856 | 50,213 |
| Participants’ contributions | — | 154 |
| Notes receivable from participants | 32,576 | 32,634 |
| Total receivables | 85,432 | 83,001 |
| | | |
| Net assets reflecting investments at fair value | 4,077,833 | 3,939,645 |
| | | |
| Adjustment from fair value to contract value for Investment in Master Trust A relating to fully benefit-responsive investment contracts | (9,898) | (18,936) |
| | | |
| Net assets available for benefits | $4,067,935 | $3,920,709 |

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

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DEFERRED PROFIT-SHARING PLAN FOR SALARIED EMPLOYEES
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
(in thousands of dollars)

| For the year ended December 31, | 2015 |
|---|---|
| Additions to net assets attributed to: | |
| Investment income: | |
| Investment income from Master Trust A | $11,534 |
| Investment income from Master Trust B | 337,839 |
| Total investment income | 349,373 |
| | |
| Interest income on notes receivable from participants | 1,295 |
| | |
| Contributions to the Plan: | |
| By employer | 59,204 |
| By participants | 49,545 |
| Total contributions | 108,749 |
| | |
| Total additions | 459,417 |
| | |
| Deductions from net assets attributed to: | |
| Withdrawals and distributions | (312,954) |
| | |
| Total deductions | (312,954) |
| | |
| Net increase prior to transfers | 146,463 |
| | |
| Transfer from the Hourly Plan | 894 |
| Transfer to the Hourly Plan | (131) |
| | |
| Net increase | 147,226 |
| | |
| Net assets available for benefits: | |
| Beginning of year | 3,920,709 |
| End of year | $4,067,935 |

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

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DEFERRED PROFIT-SHARING PLAN FOR SALARIED EMPLOYEES
NOTES TO FINANCIAL STATEMENTS

1. Description of the Plan

The following description of the Deferred Profit-Sharing Plan for Salaried Employees (the "Plan") provides only general information. Participants should refer to the Summary Plan Description or the Plan document for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan maintained for the benefit of eligible employees, as discussed below in Plan Participation, of Altria Group, Inc. and certain of its subsidiaries (individually, a "Participating Company"; collectively, the "Participating Companies"). The Plan is designed to provide eligible employees with an opportunity to share in the profits of Altria Group, Inc. and their Participating Company, to invest certain of their funds in a tax-advantaged manner and, for Match-Eligible Participants and SMWE Match-Eligible Participants (as such terms are defined below), to receive company match contributions if they make contributions to the Plan on a before-tax and/or after-tax basis. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

Plan Administration

The administration of the Plan has generally been delegated to the Administrator, as defined in the Plan. The Altria Group Benefits Investment Committee (the "Investment Committee") is the named fiduciary responsible for the operation and management of the investment options in the Plan, other than the investment options (the "Altria Stock Investment Option", the "Mondelēz Stock Investment Option", the "PMI Stock Investment Option" and the "Kraft Heinz Stock Investment Option", formerly the "KFG Stock Investment Option"; collectively, the "Common Stock Investment Options") invested exclusively in the common stock of Altria Group, Inc. ("Altria Stock"), the Class A common stock of Mondelēz International, Inc. ("Mondelēz Stock"), the common stock of Philip Morris International Inc. ("PMI Stock") and the common stock of The Kraft Heinz Company ("Kraft Heinz Stock"), respectively (collectively, the "Common Stocks"). See discussion of the merger of Kraft Foods Group, Inc. and H.J. Heinz Holding Corporation ("Heinz") in Investment Options below. Fiduciary Counselors Inc. ("Fiduciary Counselors") is the named fiduciary with respect to the management of the investment of the Common Stock Investment Options. The Administrator, the Investment Committee and Fiduciary Counselors are hereinafter collectively referred to as the "Fiduciaries".

Plan Participation

Eligibility for benefits under the Plan depends on an employee's hire date and Participating Company affiliation, as follows:

- "Non-Match-Eligible Participants" (eligible to make employee contributions and to receive a company contribution):
  - Salaried employees other than Match-Eligible Participants and SMWE Match-Eligible Participants, as defined below;
- "Match-Eligible Participants" (eligible to make employee contributions and to receive a company contribution, a supplemental company contribution and company match contributions):
  - Salaried employees of certain subsidiaries of UST LLC and salaried employees of John Middleton Co., and
  - Salaried employees of all other Participating Companies (except SMWE Match-Eligible Participants) hired or rehired after a date specific to their employee group, as defined in the Plan document; and
- "SMWE Match-Eligible Participants" (eligible to make employee contributions and to receive company match contributions):
  - Non-agricultural employees of Ste. Michelle Wine Estates Ltd. and its affiliates ("SMWE") who are not represented by a collective bargaining unit.

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DEFERRED PROFIT-SHARING PLAN FOR SALARIED EMPLOYEES
NOTES TO FINANCIAL STATEMENTS

Employee Contributions
Each eligible employee may make before-tax and after-tax contributions to the Plan as soon as administratively feasible after his or her date of hire.
No contribution is required from any participant under the Plan. However, employees hired or rehired after a date specific to their employee group are automatically enrolled in the Plan to make before-tax contributions of three percent (3%) of their eligible compensation beginning with the first payroll period after the completion of 90 days of service. Employees who are automatically enrolled can elect not to make contributions or to contribute a different percentage of their eligible compensation.
The Internal Revenue Code of 1986, as amended (the “Code”), imposes a dollar limitation on the amount of before-tax contributions for a calendar year. A participant’s before-tax contribution was limited to $18,000 and $17,500 in 2015 and 2014, respectively, with a Plan limitation effective July 1, 2014 of thirty-five percent (35%) of eligible compensation on the total amount of before-tax and after-tax contributions. Prior to July 1, 2014, the Plan limitation was fifteen percent (15%) of eligible compensation.
Participants who are age 50 or older by the end of a Plan year are eligible to make before-tax catch-up contributions up to the limit prescribed in the Code. For 2015 and 2014, the catch-up contribution was limited to $6,000 and $5,500, respectively.
The aggregate contributions actually made by participants may not cause the Plan to violate limitations on such contributions set forth in the Code.
Employer Contributions
Contributions by Participating Companies may consist of a company contribution, a supplemental company contribution and/or company match contributions as discussed below.
Contributions for highly compensated employees are subject to limitations imposed by the Code.
Company contribution – In general, the formula to compute the company contribution for participants, other than SMWE Match-Eligible Participants, who have completed twenty-four months of service (twelve months in the case of a Match-Eligible Participant) is as follows:

| | Target adjusted diluted EPS growth rate * | | |
|---|---|---|---|
| If Altria Group, Inc.’s actual adjusted diluted EPS growth rate is: | Under the target range | Within the target range | Above the target range |
| Then the company contribution (expressed as a percentage of each eligible participant’s compensation) is: | 8% | 10% | 12% |

* Target adjusted diluted earnings per share (“EPS”) growth rate, as defined in the Plan, is announced by Altria Group, Inc., generally in late January of each year.
The company contribution and the supplemental company contribution (discussed below) to the Plan cannot exceed three percent (3%) of Altria Group, Inc.’s Consolidated Earnings, as defined in the Plan document, allocated between the Plan and the Deferred Profit-Sharing Plan for Hourly Employees (the “Hourly Plan”) proportionately based on the aggregate compensation of eligible participants in each plan.
The Plan provides, in the event of a Change of Control (as defined in the Plan document) of Altria Group, Inc., for a company contribution for the year in which the Change of Control occurs and for two years thereafter at least equal to the lesser of (a) the percentage of participants’ compensation that was contributed to the Plan by the Company for the year prior to the year in which the Change of Control occurs, or (b) ten percent (10%) of the participants’ applicable compensation.
Supplemental company contribution – A supplemental company contribution is made on behalf of Match-Eligible Participants equal to five percent (5%) of each such eligible participant’s compensation.

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DEFERRED PROFIT-SHARING PLAN FOR SALARIED EMPLOYEES
NOTES TO FINANCIAL STATEMENTS

Company match contributions – Match-Eligible Participants who make before-tax and/or after-tax contributions for a payroll period after completing 90 days of service will receive company match contributions, dollar for dollar, up to the first three percent (3%) of eligible compensation that is contributed for a payroll period.

SMWE Match-Eligible Participants who make before-tax and/or after-tax contributions for a payroll period after completing one year of service will receive company match contributions of $0.50 for each dollar, up to the first six percent (6%) of eligible compensation that is contributed for a payroll period.

Participant Accounts

Each participant's Plan accounts are credited with any employee and employer contributions and the allocated share of the investment activities for each investment option in which he or she participates. Allocations are based on participant Plan account balances, as defined in the Plan document.

Vesting

Each participant is at all times fully vested in the balance held in each of his or her Plan accounts.

Investment Options

Participants can direct all contributions among ten investment options and may change their investment elections at any time, subject to excessive trading policy restrictions and short-term redemption fees that may be applicable to certain of the investment options. If a participant has not provided an investment election, any contributions are invested in the Balanced Fund Investment Option, for which the underlying investment is a common/collective trust.

On July 2, 2015, Kraft Foods Group, Inc. merged with and into a wholly owned subsidiary of Heinz, which was then renamed The Kraft Heinz Company. Plan participants who were invested in the KFG Stock Investment Option received, immediately prior to the merger, a special cash dividend of $16.50 for each share of Kraft Foods Group, Inc. stock ("KFG Stock") held in the participant's Plan account and received, upon the merger, one share of Kraft Heinz Stock for each share of KFG Stock held in the participant's Plan account. The special cash dividend was invested based on the participant's investment elections in the Plan. The KFG Stock Investment Option was renamed the Kraft Heinz Stock Investment Option.

The Mondelēz Stock Investment Option, the PMI Stock Investment Option and the Kraft Heinz Stock Investment Option (individually and collectively, the "Non-Altria Stock Investment Option") are "closed" to further investments so that participants are not permitted to purchase shares of Mondelēz Stock, PMI Stock and Kraft Heinz Stock (individually and collectively, "Non-Altria Stock") in the Plan or to perform an exchange into a Non-Altria Stock Investment Option from any other investment option.

Employee Stock Ownership Plan

The employee stock ownership plan ("ESOP") portion of the Plan permits each participant who invests in the Altria Stock Investment Option to elect, no later than the business day immediately preceding an ex-dividend date with respect to a cash dividend payable on shares of Altria Stock, to have the dividend paid to them in cash or have the dividend reinvested in additional shares of Altria Stock. Altria Stock dividends paid in cash directly to participants for the year ended December 31, 2015 were approximately $15 million. Altria Stock dividends payable in cash directly to participants as of December 31, 2015 and 2014 were each approximately $4 million.

Any cash dividends paid on Non-Altria Stock held in a Non-Altria Stock Investment Option cannot be reinvested in Non-Altria Stock, but instead will be invested according to the participant's current investment elections. If the participant has not provided an investment election, cash dividends are invested in the Balanced Fund Investment Option. The participant does not have the right to elect to have dividends for Non-Altria Stock paid to them in cash.

Master Trusts

Certain assets of the Plan are co-invested with the assets of the Hourly Plan and the Savings Plan for Puerto Rico Employees, in a commingled investment fund known as the Altria Client Services Deferred Profit-Sharing Master Trust ("Master Trust A") for which State Street Bank and Trust Company ("State Street") serves as the trustee. Certain assets of the Plan are co-invested with the assets of the Hourly Plan in a commingled investment fund known as the Altria Client Services Deferred Profit-Sharing Trust for Altria Stock and Non-Altria Stock ("Master Trust B") for which

Fidelity Management Trust Company serves as the trustee.
Master Trust A and Master Trust B are hereinafter collectively referred to as the “Master Trusts”.

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DEFERRED PROFIT-SHARING PLAN FOR SALARIED EMPLOYEES
NOTES TO FINANCIAL STATEMENTS

Withdrawals and Distributions

Participants may make in-service withdrawals in accordance with the provisions outlined in the Plan.

Participants may receive a distribution upon termination of employment, including retirement, in a lump sum, partial distributions, or installments.

Notes Receivable from Participants

Participants are permitted to borrow from their Plan accounts in accordance with the loan provisions and applicable interest rate as outlined in the Plan. Interest on participant loans is fixed for the term of the loan. The minimum loan amount is $1,000 and the maximum loan amount is the lesser of one-half of a participant's account balance at the time of the loan request or $50,000, less the participant's highest outstanding loan balance during the twelve-month period preceding the loan request. Loan repayment periods are up to twenty-five years depending on the type of loan.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements are prepared using the accrual basis of accounting.

Use of 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 assets and liabilities and changes therein in the financial statements and related disclosures. Actual results could differ from those estimates.

New Accounting Pronouncements

In July 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-12, Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962) and Health and Welfare Benefit Plans (Topic