CARDINAL HEALTH INC
Form 11-K
June 15, 2016
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 11-K
þ ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015
or
o TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________ to ________
Commission File Number: 1-11373

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:
Cardinal Health 401(k) Savings Plan for Employees of Puerto Rico
B. Name of the issuer of the securities held pursuant to the plan and the address of its principal executive office:
Cardinal Health, Inc.
7000 Cardinal Place
Dublin, Ohio 43017

Cardinal Health 401(k) Savings Plan for Employees of Puerto Rico
Financial Statements and Supplemental Information
Years Ended December 31, 2015 and 2014
Table of Contents

* All other financial schedules required by Section 2520.103-10 of the U.S. Department of Labor’s Annual Reporting and Disclosure Requirements under the Employee Retirement Income Security Act of 1974, as amended have been omitted because they are not applicable.

Table of Contents

Report of Independent Registered Public Accounting Firm

Financial Benefit Plans Committee of the Cardinal Health 401(k) Savings Plan for Employees of Puerto Rico

We have audited the accompanying statements of net assets available for benefits of Cardinal Health 401(k) Savings Plan for Employees of Puerto Rico as of December 31, 2015 and 2014, and the related statement of changes in net assets available for benefits for the years then ended. 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 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. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Cardinal Health 401(k) Savings Plan for Employees of Puerto Rico as of December 31, 2015 and 2014, and the changes in its net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying supplemental schedules of assets (held at end of year) as of December 31, 2015, and delinquent participant contributions for the year then ended, have been subjected to audit procedures performed in conjunction with the audit of Cardinal Health 401(k) Savings Plan for Employees of Puerto Rico's financial statements. The information in the supplemental schedules is the responsibility of the Plan’s management. Our audit procedures included determining whether the 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 schedules. In forming our opinion on the information, we evaluated whether such 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Ernst & Young LLP

Columbus, Ohio

June 15, 2016

Table of Contents

Cardinal Health 401(k) Savings Plan for Employees of Puerto Rico
Statements of Net Assets Available for Benefits
December 31, 2015 and 2014

	December 31	
	2015	2014
Assets		
Plan's interest in Stable Value Master Trust	$2,674,740	$2,125,233
Investments at fair value	16,407,631	14,163,074
Notes receivable from participants	967,292	882,668
Accrued income	16,080	12,279
Receivables:		
Company contributions	44,905	4,374
Participant contributions	44,377	—
Total contributions receivable	89,282	4,374
Cash	—	278
Total assets	20,155,025	17,187,906
Liabilities		
Accrued fees	1,564	15,256
Pending trades payable	—	31
Total liabilities	1,564	15,287
Net assets available for benefits	$20,153,461	$17,172,619

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

Table of Contents

Cardinal Health 401(k) Savings Plan for Employees of Puerto Rico
Statements of Changes in Net Assets Available for Benefits
For the Years Ended December 31, 2015 and 2014

	2015	2014
Additions to net assets attributed to:		
Investment income:		
Interest and dividend income	$257,328	$254,407
Net appreciation in the fair value of investments	127,046	812,496
Plan's interest in Stable Value Master Trust's net investment income	45,597	36,747
Total investment income	429,971	1,103,650
Interest income on notes receivable from participants	36,108	31,035
Contributions:		
Company	1,820,592	1,547,412
Participant	1,366,044	1,225,563
Rollovers	220,681	29,056
Total contributions	3,407,317	2,802,031
Total additions	3,873,396	3,936,716
Deductions from net assets attributed to:		
Benefits paid to participants	803,797	507,211
Administrative expenses	88,757	58,674
Total deductions	892,554	565,885
Net increase	2,980,842	3,370,831
Net assets available for benefits:		
Beginning of year	17,172,619	13,801,788
End of year	$20,153,461	$17,172,619

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

Table of Contents

Cardinal Health 401(k) Savings Plan for Employees of Puerto Rico
Notes to Financial Statements
December 31, 2015 and 2014

1. Description of Plan

General

The Cardinal Health 401(k) Savings Plan for Employees of Puerto Rico (the “Plan”) is a defined contribution plan covering substantially all employees of Cardinal Health, Inc. (the “Company”) and certain of its subsidiaries residing in Puerto Rico. Employees who are covered by a collective bargaining agreement are not eligible to participate unless the agreement provides for participation. Eligible employees participate upon their date of hire. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”).

A trust with a Puerto Rico bank was established for the Plan. In addition, certain assets of the Plan are held within the Cardinal Health Stable Value Fund (the “Stable Value Master Trust”), which was established for the Plan and certain other plans of the Company. See Note 3 for more information regarding the Stable Value Master Trust.

Effective January 1, 2011, the Plan was amended and restated in compliance with the Internal Revenue Code for a New Puerto Rico (2011) (the “Code”), as amended.

The following description of the Plan provides only general information. Participants should refer to the Plan document for a more complete description of the Plan’s provisions.

Administration

The Company is the Plan administrator, and the Company’s Financial Benefit Plans Committee (the “Committee”) is responsible for the general operation and administration of the Plan.

Banco Popular de Puerto Rico is the trustee of the Plan. Wells Fargo Bank, N.A. (“Wells Fargo”) serves as the Plan record keeper and asset custodian.

Table of Contents
Notes to Financial
Statements
(continued)

1. Description of Plan (continued)
Contributions
Contributions to the Plan may consist of participant elective contributions, rollover contributions, and Company matching, discretionary employer, and discretionary special contributions.
Participants may elect to contribute a percentage of their eligible compensation (subject to certain limitations), as defined by the Plan. Participants who have or will attain at least age 50 by the end of the Plan year may elect to contribute up to an additional $1,500, as a catch-up contribution. Participants may also roll over amounts representing distributions from other qualified plans.
The Company will match 100% of the first 3% of participant elective deferrals, and 50% of the next 2% of pretax contributions. In addition, the Company may elect to make discretionary employer contributions and/or discretionary special contributions.
Discretionary employer contributions are allocated to participants based on their proportionate share of total eligible compensation and eligible compensation above the Social Security taxable wage base amount for the year of allocation.
The Plan's discretionary employer contribution is known as the Company Performance Contribution ("CPC"), and is contingent upon the Company's financial performance. To be eligible for the CPC, participants generally must be employed on the last day of the Company's fiscal year, June 30. If financial performance goals are met, the CPC is calculated on eligible compensation earned during the Company's fiscal year and contributed in lump sum to participant accounts. The CPC is recognized by the Plan in the year the contribution is made to the Plan. For the Company's fiscal years ended June 30, 2015 and 2014, the CPC was $924,949 and $769,820, respectively, and was deposited into participant accounts in September 2015 and 2014, respectively.
The discretionary special contributions, if any, are allocated to the participants in the eligible group ratably based on their proportionate share of the total eligible compensation in that group. No discretionary special contributions were made for the Plan years ended December 31, 2015 and 2014.
Participants direct the investment of their contributions into various investment options offered by the Plan. The Company's matching, discretionary employer and discretionary special contributions, if any, are also invested as directed by participants.
Participant Accounts
Each participant's account is credited with the participant's elective contributions, any rollover contributions made by the participant and allocations of the Company's contributions and Plan earnings. A participant is entitled to the benefit provided from the participant's vested account balance.
Vesting
Participants are 100% vested immediately in their elective deferral, rollover, safe harbor, and qualified matching contributions, plus actual earnings thereon. A participant is 100% vested in the Company's discretionary employer, discretionary special, and any other non-safe harbor contributions after three years of vesting service, or if the participant dies, becomes totally disabled, or reaches retirement age, as defined in the Plan document, while employed by the Company. The Plan provides for the partial vesting of the Company contributions to participants with more than one year, but less than three years of vesting service, who were terminated as part of a designated reduction in workforce, as defined in the Plan document.

Table of Contents
Notes to Financial
Statements
(continued)

1. Description of Plan (continued)
Forfeitures
Non-vested account balances are generally forfeited either upon full distribution of vested balances or completion of five consecutive one-year breaks in service, as defined in the Plan document. Forfeitures are either used to reduce Company contributions to the Plan or to pay reasonable expenses of the Plan pursuant to guidelines determined by the Committee.
Forfeitures used to reduce Company contributions and to pay reasonable expenses were $90,756 and $64,660 during 2015 and 2014, respectively. At December 31, 2015 and 2014, forfeited non-vested accounts were $551 and $43,135, respectively.
Administrative Expenses
Administrative expenses are paid by the Company or the Plan, except for fees for loans, withdrawals and Qualified Domestic Relations Orders, which are paid from the account of the participant incurring the expense.
Revenue sharing and sub-transfer agent fee income received by the Plan are credited to an administrative account and can be used to reduce administrative expenses. During 2015 and 2014, the Plan earned $14,883 and $12,248, respectively, in revenue sharing and sub-transfer agent fee income.
Participant Loans
Participantsmay borrow from their fund accounts a minimum of $1,000 up to a maximum equal to the lesser of $50,000 less the highest outstanding loan balance during the prior 12 months or 50% of their vested account balance. Loan terms primarily range from 1 to 5 years or up to 15 years for the purchase of a primary residence. Participant loans are secured by 50% of the vested balance in the participant’s account as of the date of the loan and bear interest at a reasonable rate, as established by the Committee, currently Prime plus 1%, which is set for the life of the loan. Interest rates for new loans are subject to change on a monthly basis. Loan repayments, including interest and applicable loan fees, are generally repaid through payroll deductions.
Payment of Benefits
Upon termination of employment, death, retirement, or total disability, distributions are generally made in the form of a lump-sum payment. In addition, the Plan includes a provision for participants to make withdrawals from their account under certain hardship circumstances or after attaining age 59 1/2, as defined in the Plan document. Required qualified joint and survivor annuity payment options are preserved for the portion of the participant accounts transferred to the Plan from a money purchase pension plan, if any.

Table of Contents

Notes to Financial
Statements
(continued)

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Plan are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("GAAP").

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates that affect the reported amounts in the financial statements and accompanying notes and supplemental schedules. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncement

In July 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-12, Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): (Part I) Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosures, (Part III) Measurement Date Practical Expedient. Part I of the ASU eliminates the requirements to measure fair value of fully benefit-responsive investment contracts and provide certain disclosures. Part II of the ASU eliminates the requirements to disclose individual investments that represent 5 percent or more of net assets available for benefits and the net appreciation or depreciation in fair value of investments by general type. It also simplifies the level of disaggregation of investments that are measured using fair value. Plans will continue to disaggregate investments that are measured using fair value by general type; however, plans are no longer required to also disaggregate investments by nature, characteristics, and risks. Further, the disclosure of information about fair value measurements shall be provided by general type of plan asset. Part III of the ASU allows a plan with a fiscal year end that does not coincide with the end of a calendar month to measure its investments and investment-related accounts using the month end closest to its fiscal year end. The ASU is effective for fiscal years