

BORGWARNER INC  
Form 11-K  
June 12, 2018

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 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 and 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: 1-12162

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

BorgWarner Inc. Retirement Savings Plan

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

BorgWarner Inc.  
3850 Hamlin Road  
Auburn Hills, MI 48326

Required Information

Item 4.

Financial Statements as of December 31, 2017 and 2016 and for the Year Ended December 31, 2017, Supplemental Schedule as of December 31, 2017, and Report of Independent Registered Public Accounting Firm



BorgWarner Inc.  
Retirement  
Savings Plan  
Financial Statements as of December 31, 2017 and  
2016, and for the Year Ended December 31, 2017,  
Supplemental Schedule as of December 31, 2017,  
and Report of Independent Registered Public  
Accounting Firm

---

BORGWARNER INC. RETIREMENT SAVINGS PLAN

Index

	Page
<u>Report of Independent Registered Public Accounting Firm</u>	<u>2</u>
Financial Statements:	
<u>Statements of Net Assets Available for Benefits as of December 31, 2017 and 2016</u>	<u>4</u>
<u>Statement of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2017</u>	<u>5</u>
<u>Notes to Financial Statements as of December 31, 2017 and 2016 and for the Year Ended December 31, 2017</u>	<u>6</u>
Supplemental Schedule:	
<u>Form 5500 - Schedule H, Part IV, Line 4i - Schedule of Assets (Held at End of Year) as of December 31, 2017</u>	<u>14</u>

Note:

All 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 have been omitted due to the absence of conditions under which they are required.

Report of Independent Registered Public Accounting Firm

Plan Administrator and Participants  
BorgWarner Inc. Retirement Savings Plan  
Auburn Hills, Michigan

Opinion on the Financial Statements

We have audited the accompanying statements of net assets available for benefits of the BorgWarner Inc. Retirement Savings Plan (the “Plan”) as of December 31, 2017 and 2016, the related statement of changes in net assets available for benefits for the year ended December 31, 2017, and the related notes (collectively, 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. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting 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.

Our audits included performing procedures to assess the risk 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 the Plan’s 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 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 presented for the purpose of additional analysis and is not a required part of the financial statements but included supplemental information required by the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. 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/ BDO USA, LLP

We have served as the Plan's auditor since 2015  
Troy, Michigan  
June 12, 2018

BORGWARNER INC. RETIREMENT SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS  
AS OF DECEMBER 31, 2017 AND 2016

(in thousands)

	2017	2016
NET ASSETS:		
Investments at fair value	\$1,146,408	\$924,698
Assets receivable from plan merger	—	49,548
Participant contributions receivable	240	201
Company contributions receivable	223	206
Notes receivable from participants	11,553	11,426
Total assets	1,158,424	986,079

Accrued liabilities	46	65
---------------------	----	----

NET ASSETS AVAILABLE FOR BENEFITS \$1,158,378 \$986,014

See accompanying notes to financial statements.

BORGWARNER INC. RETIREMENT SAVINGS PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
FOR THE YEAR ENDED DECEMBER 31, 2017

(in thousands)

ADDITIONS TO NET ASSETS:

Net appreciation in fair value of investments	\$164,890
Contributions from participants	38,770
Contributions from the Company	32,143
Dividend income	9,154
Interest income on notes receivable from participants	497
Total additions	245,454

DEDUCTIONS FROM NET ASSETS:

Participants' withdrawals	\$72,541
Administrative expenses	549
Total deductions	73,090

NET INCREASE 172,364

NET ASSETS AVAILABLE FOR BENEFITS — Beginning of year 986,014

NET ASSETS AVAILABLE FOR BENEFITS — End of year \$1,158,378

See accompanying notes to financial statements.



BORGWARNER INC. RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017 AND 2016 AND FOR THE YEAR ENDED DECEMBER 31, 2017

---

1. DESCRIPTION OF PLAN

The following description of the BorgWarner Inc. Retirement Savings Plan (the "Plan") provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions. General - The Plan was established on January 27, 1993 as a defined contribution plan under Section 401(a) of the Internal Revenue Code ("IRC"), designed to provide eligible employees of BorgWarner Inc. (the "Company") with systematic savings and tax advantaged long-term savings for retirement.

The Company is the sponsor of the Plan and has assigned the Employee Benefits Committee (the "Committee") to oversee the Plan.

The Company appointed Vanguard Group, Inc. and Vanguard Fiduciary Trust Company (the "Trustee") to perform the administrative, investment managing, recordkeeping, and trustee services for the Plan.

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

2016 Plan Merger - On November 10, 2015, the Company acquired 100% of the equity interests in Remy International, Inc. In connection with this acquisition, on December 31, 2016, the Remy International, Inc. 401(k) Retirement and Savings Plan (the "Remy Plan") was amended to merge into the Plan and provided that the assets attributable to the Remy Plan be transferred and merged with those of the Plan effective as of the close of business on December 31, 2016. Assets totaling \$54,696,757 were transferred into the Plan, of which \$49,548,625 of cash-in-transit was recorded as Assets receivable from plan merger on the Plan Statements of Net Assets Available for Benefits as of December 31, 2016. Each of the Remy Plan's participants has an accrued benefit in the Plan that is no less than his or her accrued benefit under the Remy Plan immediately prior to the merger. In connection with this merger, the Plan was amended and restated as of January 1, 2017.

Eligibility - Employees of the Company, and employees of its divisions, subsidiaries, or affiliates that have adopted the Plan, subject to the consent of the Committee, are immediately eligible to make employee contributions and receive Company Match contributions as of their date of hire. Additionally, employees are eligible for Company Retirement Account contributions after 60 days of employment with the Company or a related employer, including any prior service credit granted to employees of Sevcon USA, Inc. effective as of September 27, 2017.

Remy International, Inc. and its affiliates shall not be considered a related employer for purposes of this Plan prior to the January 1, 2017 merger of the Remy Savings Plan.

Hourly employees of the Ithaca plant covered by the collective bargaining agreement between the Company and the International Brotherhood of Teamsters Local 317 become eligible in the Plan upon completion of 60 days of employment and are eligible for Company contributions and receive Company Match contributions after 6 months of employment.

For the period beginning January 1, 2015 and ending November 1, 2016, any Ithaca plant hourly employee who was allocated Company contributions prior to completing 6 months of employment shall be an eligible employee with respect to such contributions.

Participants' Accounts - Individual accounts are maintained for each Plan participant. Each participant's account is credited with the participant's contributions, the Company's contributions and an allocation of Plan earnings, and charged with withdrawals and an allocation of Plan expenses and losses. Allocations are based on participant earnings or account balances. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account, including:

Company Retirement Account - The Company makes contributions as a percentage of a participant's compensation, based on years of vested service and age, to this account on behalf of each eligible participant. The first 3% of this compensation is characterized as a non-elective safe harbor contribution, except for Ithaca hourly employees. For Ithaca hourly employees, the Company contributes an amount to this account for each hour worked or for which employees receive holiday, vacation, jury duty, bereavement, or bonus pay, based on years of service, and range from \$0.59 per hour to \$1.00 per hour.

No employee contributions are made to this account.

Savings Account - Participants may voluntarily contribute from 1% to 70% of their compensation to this account, subject to IRC limitations. New employees are automatically enrolled at 3% upon completing 60 days of service, unless they elect not to participate or they elect a different percentage rate. Additionally, non-highly compensated participant contributions automatically increase by 1% each year to a maximum of 10%, unless the participant chooses to opt out. Beginning with the first payroll date after September 1, 2017, the pre-tax contribution from an Ithaca hourly employee will increase by 1% as of the first payroll date following each September 1st thereafter, to a maximum of 10% of his compensation, unless the participant chooses to opt out. The Company makes contributions equal to 100% of the first 3% of participant pre-tax contributions.

Retiree Health Account - Participants may voluntarily contribute from 1% to 3% of their compensation to this account. The Company makes contributions equal to 100% of participants' contributions to this account, limited to \$500 per year. No after-tax contributions are allowed. Similarly, the Company provided a Retiree Health Account for Ithaca hourly employees, after the collective bargaining agreement's applicable waiting periods.

Roth Contributions Account - After the amendment of the Plan as of January 1, 2017, participants can elect to contribute in Roth contributions under the Plan. Participants may elect to have the Company deduct amounts from participating compensation by after-tax payroll reductions that shall be includible in the participant's gross income at the time the participant would have received the compensation had no such election been made in accordance with the participant's reductions authorization agreement which is an irrevocable designation of the amounts as Roth Contributions. The amount of the participant's Roth contributions shall be from 1% to 70% of their compensation to this account, subject to IRC limitations.

Investment Options - Participants elect to invest their account balances (including current and accumulated contributions, current and accumulated Company contributions on behalf of participants and earnings) into various investment options offered by the Plan, including collective trust funds, mutual funds, common trust funds, and BorgWarner Inc. common stock.

Vesting - Fund assets attributable to voluntary participant contributions and non-elective safe harbor Company contributions are fully vested at all times. The remaining fund assets attributable to Company contributions vest 100% upon: three years of vested service; or permanent disability, death, or attaining age 65 provided the participant is employed by the Company on that date.

Withdrawals - Participants may request an In-Service Withdrawal or a Hardship Withdrawal under the following circumstances:

**In-service Withdrawal** - a participant is allowed to request a distribution of all or part of the Participant's Savings Account or the Retiree Health Account. For non-hardship withdrawals, participants can withdraw from the After-Tax Employee Contributions, participant's rollover account, and participant's prior company matching contributions account. A participant who attained age 59 ½ may request a withdrawal of all or any portion of the participant's Before-Tax Contributions Accounts (excluding Company Retirement Account, Savings Company Match, and RHA Company Match). Each withdrawal shall be made pro rata from the Investment Funds in which the applicable account is invested.

**Hardship withdrawal** - a participant who has not attained age 59 ½ may request a hardship withdrawal from the participant's After-Tax Employee Contributions Account, Rollover Account, Prior Company Matching Contributions Account, Before-Tax Contributions Account in the Participant's Savings Account, and, finally, the Before-Tax Contributions Account in the Participant's Retiree Health Account. A participant who has not attained age 59 ½ may not make more than a total of two withdrawals in any calendar year.

Distributions before age 59 ½ may be liable for an additional 10% federal income tax and participants or beneficiaries failing to receive a minimum distribution during a calendar year are subject to an additional tax equal to 50% of the difference between the minimum distribution and the amount the recipient actually received.

**Notes Receivable from Participants** - Participants may borrow, from the employee-contributed balances within the Savings Account or Retiree Health Account, a minimum of \$500 and a maximum of the lesser of (a) 50% of the vested balance or (b) \$50,000 reduced by the highest outstanding loan balance in the last 12 months.

Notes receivable terms generally range from six months to five years, with interest charged at the rate established by the Trustee for similar loans on the origination date. Interest rates on loans outstanding as of December 31, 2017 and 2016 ranged from 4.25% to 9.25%. Notes receivable from participants are secured by the remaining balance in the participants' accounts and are reported based on net realizable value. Principal and interest are paid ratably through payroll deductions.

**Priorities upon Termination** - Although the Company has expressed no intent to discontinue the Plan, it has the right to do so at any time, subject to provisions set forth in ERISA. In the event of termination, the interests of affected participants shall become fully vested. The Plan assets then remaining shall be used to pay administrative expenses and benefits equal to the balance in participant accounts.

**Forfeited Accounts** - At December 31, 2017 and 2016, there was \$11,936 and \$21,235 of forfeited nonvested balance, respectively. During the year ended December 31, 2017 and 2016, employer contributions were reduced by approximately \$541,000 and \$319,000, respectively, from forfeited nonvested accounts.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation** - The financial statements of the Plan are prepared under the accrual method of accounting and in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Investment contracts held by a defined-contribution plan are required to be reported at fair value.

**Adoption of New Accounting Guidance** -In February 2017, the FASB issued ASU No. 2017-06, "Employee Benefit Plan Master Trust Reporting." It clarifies the presentation requirements for a plan's interest in a master fund trust. This amendment also requires that the trustee or custodian provide more detailed disclosures of the plan's interest in the master trust. The amendment also eliminates redundant

disclosure requirement relating to the 401(h) account. This guidance is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the impact of this standard on the Plan Statements of Net Assets Available for Benefits and Statement of Changes in Net Assets Available for Benefits.

In January 2016, the FASB issued ASU No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities." It requires equity investments (except those accounted for under the equity method of accounting) to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. It also requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements. This guidance is effective for interim and fiscal years beginning after December 15, 2017. The Company does not expect this guidance to have a material impact on the Plan Statements of Net Assets Available for Benefits and Statement of Changes in Net Assets Available for Benefits as of and for the year ended December 31, 2017.

Investment Valuation - Investments are recorded at fair value based upon the last traded or current bid prices in active markets. Where there are no readily available last traded or current bid prices, fair value estimation procedures used in determining asset values might cause differences from the values that would exist in a ready market due to the potential subjectivity in the estimates. Following is a description of the valuation methodologies used for assets measured at fair value.

Collective Trust Funds - The Collective Trust Funds include the Artisan Global Opportunities Trust, Northern Trust Collective TIPS Index Fund Non Lending, Northern Trust Collective Aggregate Bond Index, Northern Trust Collective S&P 500 Index Fund, Northern Trust Collective Russell 2000 Index Fund, and series of Vanguard Target Retirement Trusts II. The Collective Trust Funds are valued at net asset value, which is used as a practical expedient to estimate fair value, either on a monthly or quarterly basis by the fund manager and are reviewed by the Plan's fiduciaries for reasonableness. The fair values of these investments are determined by reference to the respective funds' underlying assets, which are primarily marketable equity and fixed income securities. In the event that a fund manager's valuation is not deemed reasonable, fair value is determined by the fair valuation policies prescribed by the trust agreement between the Plan and the Trustee. The objective of these funds is to seek high total return with a shift to current income and capital appreciation over time. The Collective Trust Funds attempt to achieve this objective by investing in a combination of marketable equity securities, fixed income securities and cash. Redemption is permitted daily, there are no restrictions, and unfunded commitments are not applicable.

BorgWarner Inc. Common Stock - BorgWarner Inc. common stock is valued at the closing price reported on the New York Stock Exchange Composite Listing.

Mutual Funds - The Mutual Funds are investment vehicles stated at fair value based on quoted market prices as reported by the Trustee. Mutual funds held by the Plan are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The Mutual Funds held by the Plan are deemed to be actively traded.

Money Market Fund - The Money Market Fund invests in high-quality short-term securities and is considered an open-end mutual fund that is registered with the U.S. Securities and Exchange Commission. In accordance with Rule 2a-7 under the 1940 Act, the fund is valued at amortized cost method, which approximates fair value. This method of valuation is designed to enable the

fund to price its shares at \$1.00 per share, although the fund's share price may deviate from \$1.00 per share.

**Common Trust Funds** - The Common Trust Funds are open-end funds from which trust units may be redeemed on a daily basis. The Plan included the Wells Fargo Stable Value Fund, T. Rowe Price Stable Value Common Trust, and Vanguard Retirement Saving Trust III as of December 31, 2016. As of December 31, 2017, the Plan only includes the Vanguard Retirement Saving Trust III and the principal investment objective of this fund is to provide participants with an attractive rate of interest and safety of principal by investing in investment contracts issued by financial institutions and in contracts that are backed by high-quality bonds and bond mutual funds owned by the Trustee on behalf of the Trust. Investments in the Common Trust Funds are primarily composed of a pool of Guaranteed Investment Contracts, Bank Investment Contracts, Synthetic Investment Contracts, and Separate Account Contracts. They also include contracts that are backed by bond funds and trusts. Investments in the Common Trust Funds are considered indirect investments in fully-benefit responsive investment contracts, and therefore are valued at net asset value, which is used as a practical expedient to estimate fair value. Redemption is permitted daily, there are no restrictions, and unfunded commitments are not applicable.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although 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.

**Income Recognition** - 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. Net appreciation (depreciation) includes the Plan's gains and losses on investments purchased and sold as well as held during the year.

**Notes Receivable from Participants** - Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent participant loans are reclassified as distributions based upon the terms of the Plan document.

**Estimates** - The preparation of financial statements in conformity with GAAP requires Plan management to make estimates and assumptions that affect the reported amounts of net assets available for benefits as of the date of the financial statements, and the reported amounts of changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

**Risks and Uncertainties** - The Plan utilizes various investment instruments, including common trust funds, mutual funds, collective trust funds, money market fund, and BorgWarner Inc. common stock. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is 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 financial statements.

**Administrative Expenses** - Transfer taxes and brokerage expenses attributable to the Plan assets are charged to the applicable fund as a reduction of the return on that fund. Any other expenses incurred with respect to Plan administration are charged to participant accounts, where applicable, or are paid in such manner as the Company determines, and is in accordance with the Plan documents.

**Payment of Benefits** - Benefits are recorded when paid.

### 3. EXEMPT PARTIES-IN-INTEREST TRANSACTIONS

The Plan invests in BorgWarner Inc. common stock and makes loans to participants, which are permitted party-in-interest transactions. Certain investments are shares of mutual funds and other investments managed by an affiliate of the Trustee and, therefore, these transactions qualify as party-in-interest transactions. Fees paid by the Plan to the Trustee for Plan operations amounted to approximately \$498,914 for the year ended December 31, 2017, and are included in administrative expenses. Fees paid by the Plan to the Trustee for investment management services were included as a reduction of return earned on each fund.

The Plan held approximately 3,027,000 and 3,436,000 shares of BorgWarner Inc. common stock, the sponsoring employer, at December 31, 2017 and 2016, respectively. These shares had a fair value of approximately \$154,600,000 and \$135,500,000 at December 31, 2017 and 2016, respectively.

The costs and expenses incurred by the Trustee under the Plan and the fee charged by the Trustee are charged to the Plan. The Company has the right to be reimbursed each year from the Plan for the cost to the Company of bank fees and auditing fees.

### 4. TAX STATUS

The Plan obtained a favorable determination letter, dated January 24, 2018, in which the Internal Revenue Service ("IRS") stated the Plan complied with applicable requirements of the IRC. This letter considered the amendments dated on December 10, 2012 to December 12, 2016. The Plan has been further amended subsequent to December 12, 2016; however, the fiduciaries believe that the Plan continues to be designed and operated in accordance with the applicable provisions of the IRC. The fiduciaries of the Plan believe that the Plan and related trust continue to be tax-exempt. Therefore, no provision for income taxes has been included in the Plan's financial statements.

GAAP requires Plan management to evaluate tax positions taken by the Plan and recognize a tax liability or asset if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Plan management has not calculated a provision for income taxes for the Plan as of December 31, 2017 and 2016 and there are no uncertain positions taken or expected to be taken that would require recognition of a liability or asset or disclosure in the financial statements. The Plan is subject to audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

### 5. FAIR VALUE MEASUREMENTS

ASC Topic 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and requires expanded disclosures about fair value measurements. Therefore, a fair value measurement should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC Topic 820 establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair values as follows:

Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets;

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Plan assets are measured at fair value using the market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

The following tables classify the Plan investments measured at fair value by level within the fair value hierarchy as of December 31, 2017 and 2016, respectively:

(in thousands)	Balance at December 31, 2017	Basis of Fair Value Measurements		
		Quote Prices in Active Market for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
BorgWarner Inc. Common Stock	\$ 154,636	\$ 154,636	\$ —	\$ —
Mutual Funds	144,405	144,405	—	—
Money Market Fund	711	—	711	—
Total Investments in the Fair Value Hierarchy	299,752	299,041	711	—
Collective Trust Funds <sup>(a)</sup>	736,061	—	—	—
Common Trust Fund <sup>(a)</sup>	110,595	—	—	—
Investments Measured at Net Asset Value <sup>(a)</sup>	846,656	—	—	—
Total Investments at Fair Value	\$ 1,146,408	\$ 299,041	\$ 711	\$ —

(in thousands)	Balance at December 31, 2016	Basis of Fair Value Measurements		
		Quote Prices in Active Market for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
BorgWarner Inc. Common Stock	\$ 135,500	\$ 135,500	\$ —	\$ —
Mutual Funds	153,436	153,436	—	—
Money Market Fund	610	—	610	—
Total Investments in the Fair Value Hierarchy	289,546	288,936	610	—
Collective Trust Funds <sup>(a)</sup>	520,830	—	—	—
Common Trust Fund <sup>(a)</sup>	114,322	—	—	—
Investments Measured at Net Asset Value <sup>(a)</sup>	635,152	—	—	—
Total Investments at Fair Value	\$ 924,698	\$ 288,936	\$ 610	\$ —

(a) Assets measured at net asset value ("NAV") and therefore excluded from the fair value hierarchy.

## 6. SUBSEQUENT EVENTS

The Plan has evaluated subsequent events through June 12, 2018, the date the financial statements were available to be issued and there are no other subsequent events requiring adjustments to or disclosure in the financial statements.

SUPPLEMENTAL SCHEDULE

13

---



## BORGWARNER INC. RETIREMENT SAVINGS PLAN

FORM 5500 - SCHEDULE H, PART IV, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)  
AS OF DECEMBER 31, 2017

EIN: 13-3404508

Plan Identification Number: 066

(In thousands)

(b)	(c)	(d)	(e)
Identity of Issue, (a) Borrower, Lessor, or Similar Party	Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value and Number of Shares Outstanding	Cost**	Current Value
Artisan Global Opp Tr T1	Common/Collective Trust - 245,509		\$5,183
C&S Real Estate Sec CI Z	Registered Investment Company - 208,803		3,255
NT Collective TIPS NL T2	Common/Collective Trust - 30,181		3,217
* Vanguard Fed Money Mkt	Registered Investment Company - 711,019		711
* Vanguard Md-Cap Index Fund Ins	Registered Investment Company - 1,998,112		84,560
* Vanguard Total Intl Stk Inst	Registered Investment Company - 463,741		56,590
NT Col Agg Bd Idx NL Tr 2	Common/Collective Trust - 323,842		42,906
NT C SP500 DC NL T3	Common/Collective Trust - 1,098,270		260,367
NT C Rus 2k In NL T3	Common/Collective Trust - 210,634		48,587
* Vanguard Retirement Savings Trust III	Common/Collective Trust - 110,595,764		110,595
* Vanguard Tgt Retire 2015 Tr II	Common/Collective Trust - 585,207		18,984
* Vanguard Tgt Retire 2020 Tr II	Common/Collective Trust - 1,915,487		63,058
* Vanguard Tgt Retire 2025 Tr II	Common/Collective Trust - 1,616,547		53,184
* Vanguard Tgt Retire 2030 Tr II	Common/Collective Trust - 2,081,039		67,988
* Vanguard Tgt Retire 2035 Tr II	Common/Collective Trust - 1,519,997		50,434
* Vanguard Tgt Retire 2040 Tr II	Common/Collective Trust - 1,297,360		44,435
* Vanguard Tgt Retire 2045 Tr II	Common/Collective Trust - 808,854		27,873
* Vanguard Tgt Retire 2050 Tr II	Common/Collective Trust - 540,222		18,697

Edgar Filing: BORGWARNER INC - Form 11-K

* Vanguard Tgt Retire 2055 Tr II	Common/Collective Trust - 231,969		10,754
* Vanguard Tgt Retire 2060 Tr II	Common/Collective Trust - 51,141		1,869
* Vanguard Tgt Retire 2065 Tr II	Common/Collective Trust - 807		18
* Vanguard Tgt Retire Inc Tr II	Common/Collective Trust - 544,800		18,507
* BorgWarner Co Stock Fund	Company Stock Fund - 3,026,731		154,636
* Participant loans	Participant loans, interest rates generally ranging from 4.25% to 9.25%; loan terms generally ranging from 6 months to 5 years	—	11,553
			\$1,157,961

---

\* Denotes party-in-interest.

\*\* Cost information is not required for participant-directed investments and, therefore, is not included.

SIGNATURE

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

Plan Name: BorgWarner Inc. Retirement Savings Plan

By: /s/ Thomas J. McGill  
Name: Thomas J. McGill  
Title: Member of Employee Benefits Committee

By: /s/ Ronald T. Hundzinski  
Name: Ronald T. Hundzinski  
Title: Member of Employee Benefits Committee

By: /s/ Richard D. Greb  
Name: Richard D. Greb  
Title: Member of Employee Benefits Committee

By: /s/ Tonit Calaway  
Name: Tonit Calaway  
Title: Chairperson of Employee Benefits Committee

Date: June 12, 2018

EXHIBIT INDEX

Exhibit Number	Exhibit Description
23.1	<u>Consent of Independent Registered Public Accounting Firm</u>