Eaton Corp plc
Form 11-K
June 18, 2015
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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

x Annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2014

Or

¨ Transition report pursuant to Section 15(d) of the Securities Exchange Act of 1934

For the transition period from __________ to __________

Commission file number 000-54863

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

Eaton Puerto Rico Retirement Savings Plan

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

Eaton Corporation plc

25-26 Fitzwilliam Hall

Fitzwilliam Place

Dublin 2, Ireland

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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.

EATON PUERTO RICO

RETIREMENT SAVINGS PLAN

Date: June 18, 2015

By: Eaton Pension Administration Committee

By: /s/ K. D. Semelsberger
K. D. Semelsberger
Senior Vice President and Controller
Eaton Corporation

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EATON PUERTO RICO RETIREMENT SAVINGS PLAN

FINANCIAL STATEMENTS

WITH

REPORT OF INDEPENDENT

REGISTERED PUBLIC ACCOUNTING FIRM

December 31, 2014

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Report Of Independent Registered Accounting Firm

The Pension Administration Committee and the

Pension Investment Committee - Eaton

We have audited the accompanying Statement of Net Assets Available for Benefits of the Eaton Puerto Rico Retirement Savings Plan (Plan) as of December 31, 2014 and 2013, and the related Statements 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as 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 the Plan as of December 31, 2014 and 2013, and the changes in net assets available for benefits of the Plan for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The supplemental Schedule of Assets Held for Investment Purposes at End of Year as of December 31, 2014 has been subjected to audit procedures performed in conjunction with the audit of the Plan s financial statements. The supplemental schedule is the responsibility of the Plan s management. Our audit procedures included determining whether the supplemental schedule 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 schedule. In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in conformity with Department of Labor s (DOL) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Meaden & Moore, Ltd.

Cleveland, Ohio

June 18, 2015

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STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

Eaton Puerto Rico Retirement Savings Plan

	December 31	
	2014	2013
ASSETS		
Receivable - Employer contributions	**$ 13,705**	$ 30,138
Receivable - Employee contributions	**34,868**	74,280
Total Receivables	**48,573**	104,418
Investments:		
Vanguard Retirement Savings Trust II	**25,505,216**	24,516,625
Eaton Shares Fund	**8,542,608**	8,337,373
Vanguard Institutional Index	**-**	4,421,089
Vanguard Institutional Index Plus	**5,096,869**	-
Vanguard Balanced Index Fund	**1,973,571**	1,622,621
Vanguard Developed Markets Index	**-**	939,754
Vanguard Developed Markets Index Adm	**873,408**	-
Total Investments	**41,991,672**	39,837,462
Net Assets Available for Benefits, at Fair Value	**42,040,245**	39,941,880
Adjustment from fair value to contract value for fully benefit-responsive investment contract	**(759,620)**	(664,706)
Net Assets Available for Benefits	**$ 41,280,625**	$ 39,277,174

See accompanying notes.

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STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Eaton Puerto Rico Retirement Savings Plan

	Year Ended December 31	
	2014	2013
Additions to Net Assets Attributed to:		
Contributions:		
Employer	**$ 1,181,979**	$ 1,058,539
Employee	**2,964,822**	2,749,664
Rollover	**290,519**	-
	4,437,320	3,808,203
Interest and dividend income	**876,465**	749,200
Net unrealized/realized appreciation (depreciation)	**(242,061)**	3,813,629
Total Additions	**5,071,724**	8,371,032
Deductions from Net Assets Attributed to:		
Benefits paid to participants	**3,068,248**	2,037,055
Administrative expenses	**25**	25
Total Deductions	**3,068,273**	2,037,080
Net Increase	**2,003,451**	6,333,952
Net Assets Available for Benefits:		
Beginning of Year	**39,277,174**	32,943,222
End of Year	**$ 41,280,625**	$ 39,277,174

See accompanying notes.

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NOTES TO FINANCIAL STATEMENTS

Eaton Puerto Rico Retirement Savings Plan

1 Description of Plan

The following description of the Eaton Puerto Rico Retirement Savings Plan (Plan) provides only general information. Participants should refer to the Plan document and summary plan description, which are available from the Human Resources Department upon request, for a complete description of the Plan s provisions.

General:

Effective the close of business on December 31, 2010, Cutler-Hammer Electrical Company (Company and Plan Sponsor) established the Eaton Puerto Rico Retirement Savings Plan. The Company is a subsidiary of Eaton Corporation plc (Eaton). The Plan is intended to be qualified only under Sections 1081.01(a) and (d) of the PRIRC. The Plan was amended and restated April 1, 2013. The Plan was further amended on December 19, 2014.

Eligibility:

The Plan provides that all full-time employees rendering service in Puerto Rico, not covered under a collective bargaining agreement of an employing company (including the Company and Eaton Corporation), are eligible to participate in the Plan immediately upon employment.

Contributions:

Employee Contributions - Employees may elect to make before-tax contributions to the Plan up to a maximum of 30% of their compensation. Newly hired employees are automatically enrolled in the Plan at a rate of 6% of eligible compensation.

Employer Contributions (Matching) - The Company has agreed to make a voluntarily matching contribution of 50% of the employee contributions not to exceed 3% of the total compensation of the employee.

Employer Contributions (Retirement) - Beginning April 1, 2013, the Plan provides that certain members shall be eligible for nonelective 4% Eaton Retirement Contributions, not to exceed 4% of their Eaton retirement compensation.

Contributions are subject to limitations on annual additions and other limitations imposed by Section 1081.01(d) of the Puerto Rico Internal Revenue Code, as amended from time to time, as defined in the Plan agreement.

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1 Description of Plan, Continued

Participants Accounts:

Each participant s account is credited with the participant s contributions and allocations of employer contributions, Plan earnings and transaction costs. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant s account. On termination of service, a participant is eligible to receive a lump-sum amount equal to the vested value of his or her account.

Vesting:

All participants are 100% vested in their contributions plus actual earnings thereon. Vesting in the employer contributions portion of their accounts plus actual earnings thereon is based on years of continuous service. Participants are 100% vested after three years of credited service or upon the death of the participant.

Hardship Withdrawals:

Hardship withdrawals are permitted in accordance with the PRIRC guidelines.

Investment Options:

Contributions may be invested in any of the fund options available under the Plan.

2 Summary of Significant Accounting Policies

Basis of Accounting:

The financial statements of the Plan are prepared on the accrual basis of accounting.

Investment Valuation and Income Recognition:

Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the Plan year. The Vanguard Retirement Savings Trust II Fund invests primarily in investment contracts issued by insurance companies, banks or other financial institutions, including investment contracts backed by high-quality fixed income securities. Participant transactions (purchases and sales) occur daily with no restrictions.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

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2 Summary of Significant Accounting Policies, Continued

Investment Valuation and Income Recognition, Continued:

Under the revised accounting standards, investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Statement of Net Assets Available for Benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Administrative Fees:

Substantially all administrative, management fees and other expenses of the Plan are paid by the Company. Certain transaction costs are paid by the participants.

Plan Termination:

The Company may amend, modify, suspend or terminate the Plan, provided that no assets held by the Plan or income thereon received for the purposes of the Plan shall be used for, or diverted to, purposes other than for the exclusive benefit of participating employees or their beneficiaries.

Risks and Uncertainties:

The Plan s investment include investments in mutual funds and a collective fund holding investment contracts with varying degrees of risk, such as interest rate, credit and overall market volatility risks. 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 such changes could materially affect the amounts reported in the Statement of Net Assets Available for Benefits.

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2 Summary of Significant Accounting Policies, Continued

Subsequent Events:

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements.

3 Investments

Banco Popular de Puerto Rico is the Trustee of the Plan. Investments which constitute more than 5% of the Plan s net assets are:

	2014	2013
Vanguard Retirement Savings Trust II	**$ 25,505,216**	$ 24,516,625
Eaton Shares Fund (A unitized fund of Eaton ordinary shares and cash)	**$ 8,542,608**	$ 8,337,373
Vanguard Institutional Index	**N/A**	$ 4,421,089
Vanguard Institutional Index Plus	**$ 5,096,869**	N/A

During 2014 and 2013, the Plan s investments (including investments purchased, sold as well as held during the year) appreciated (depreciated) in fair value as follows:

Eaton Shares Fund	**$ (806,522)**	$ 2,520,403
Mutual funds	**564,461**	1,293,226
	$ (242,061)	$ 3,813,629

4 Tax Status

Management has applied for a determination letter from the Puerto Rico Department of Treasury in accordance with the determination letter filing rules. The Plan Administrator and the Plan s tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Puerto Rico Internal Revenue Code. Therefore, no provision for income taxes has been included in the Plan s financial statements.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken uncertain tax positions that more-likely-than-not would not be sustained upon examination by applicable taxing authorities. The Plan Administrator has analyzed tax positions taken by the Plan and has concluded that, as of December 31, 2014, there are no uncertain tax positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions. However, currently no audits for any tax periods are in progress.

5 Party-in-Interest Transactions

Party-in-interest transactions include the investment in the ordinary shares of Eaton and the payment of administrative expenses by the Company. Such transactions are exempt from being prohibited transactions.

During 2014 and 2013, the Eaton Shares Fund received $244,495 and $192,343, respectively, in ordinary share dividends from Eaton, portions of which were a return of capital.

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6 Benefit-Responsive Fund

The Plan holds the Vanguard Retirement Savings Trust II, a fund managed by Vanguard, that invests in benefit-responsive investment contracts. The fund is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The traditional guaranteed investment contract issuers are contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan and the synthetic contract issuers are contractually obligated to guarantee the payment of a specific interest rate to the Plan.

As described in Footnote 2, because the guaranteed investment contract is fully benefit-responsive, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to the guaranteed investment contract. Contract value, as reported to the Plan by Vanguard, represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

The average market yield of the Fund was 2.30% (2014) and 1.98% (2013). This yield is calculated based on actual investment income from the underlying investments for the last month of the year, annualized and divided by the fair value of the investment portfolio on the report date. The average yield of the Fund with an adjustment to reflect the actual interest rate credited to participants in the Fund was 1.89% (2014) and 1.56% (2013).

There are no reserves against contract value for credit risk of the contract issuer or otherwise. The crediting interest rate is based on a formula agreed upon with the issuer, but it may not be less than zero percent. Such interest rates are reviewed on a quarterly basis for resetting.

The fair value is based on various valuation approaches dependent on the underlying investments of the contract.

Certain events limit the ability of the Plan to transact at contract value with the issuer. The Plan Administrator does not believe that the occurrence of any such value event, which would limit the Plan s ability to transact at contract value with participants, is probable. The issuer may terminate the contract for cause at any time.

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7 Fair Value Measurements

In accordance with ASC 820, the Plan categorized financial instruments, based on the degree of subjectivity inherent in the valuation technique, into a fair value hierarchy of three levels, as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2014 and 2013.

Registered investment companies (mutual funds) and separate accounts: Valued at the net asset value (NAV) of shares held by the Plan at year-end.

Guaranteed investment contract: Valued at the net unit value of units held by the trust at year-end. The unit value is determined by the total value of Fund assets divided by the total number of units of the Fund owned.

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.

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7 Fair Value Measurements, Continued

The following table sets forth by level on a recurring basis, within the fair value hierarchy, the Plan s investments at fair value as of December 31, 2014. There are no investments which fall under Level 3 of the hierarchy.

	Level 1 Fair Value	Level 2 Fair Value	Totals
Registered investment companies:			
Large-cap equity funds	$ 5,096,869	$ -	$ 5,096,869
Balanced funds	1,973,571	-	1,973,571
International equity funds	873,408	-	873,408
Total	7,943,848	-	7,943,848
Guaranteed investment contracts:			
Stable value funds	-	25,505,216	25,505,216
Separate Accounts:			
Company stock funds	-	8,542,608	8,542,608
Total investments at fair value	$ 7,943,848	$ 34,047,824	$ 41,991,672

The following table sets forth by level on a recurring basis, within the fair value hierarchy, the Plan s investments at fair value as of December 31, 2013. There are no investments which fall under Level 3 of the hierarchy.

	Level 1 Fair Value	Level 2 Fair Value	Totals
Registered investment companies:			
Large-cap equity funds	$ 4,421,089	$ -	$ 4,421,089
Balanced funds	1,622,621	-	1,622,621
International equity funds	939,754	-	939,754
Total	6,983,464	-	6,983,464

Guaranteed investment contracts:			
Stable value funds	-	24,516,625	24,516,625
Separate accounts:			
Company stock funds	-	8,337,373	8,337,373
Total investments at fair value	$ 6,983,464	$ 32,853,998	$ 39,837,462

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SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES AT END OF YEAR

Form 5500, Schedule H, Part IV, Line 4i

Eaton Puerto Rico Retirement Savings Plan

EIN 98-0474648

Plan Number 002

December 31, 2014

(a)	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	(d) Cost	(e) Current Value
	Vanguard Retirement Savings Trust II See Footnote 1	Guaranteed Investment Contract	N/A	$ 24,745,596
*	Eaton Shares Fund	Separate accounts	N/A	8,542,608
	Vanguard Institutional Index Plus	Mutual Funds	N/A	5,096,869
	Vanguard Balanced Index Fund	Mutual Funds	N/A	1,973,571
	Vanguard Developed Markets Index Adm	Mutual Funds	N/A	873,408
				$ 41,232,052

Footnote 1 - denotes contract value

* Party-in-interest to the Plan.

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