

NAVISTAR INTERNATIONAL CORP

Form 11-K

June 27, 2016

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

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 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 1-9618

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

401(k) PLAN FOR REPRESENTED EMPLOYEES

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

2701 Navistar Drive

Lisle, Illinois 60532

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REQUIRED INFORMATION

Navistar, Inc. is the Plan Administrator of the Navistar, Inc. 401(k) Plan for Represented Employees (the Plan). The Plan is subject to the Employee Retirement Income Security Act of 1974 (ERISA). Therefore, in lieu of the requirements of Items 1-3 of Form 11-K, the financial statements of the Plan as of December 31, 2015 and 2014, and for the year ended December 31, 2015, and the schedules as of December 31, 2015, have been prepared in accordance with the financial reporting requirements of ERISA.

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SIGNATURE

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

**Navistar, Inc. 401(k) Plan for Represented
Employees**

By: Navistar, Inc.
Plan Administrator

/s/ Samara A. Strycker

Name: Samara A. Strycker

Title: Senior Vice President and Corporate Controller
(Principal Accounting Officer)

June 27, 2016

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**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
NAVISTAR, INC. 401(k) PLAN FOR REPRESENTED EMPLOYEES
DECEMBER 31, 2015 AND 2014**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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Participants and Administrator

Navistar, Inc. 401(k) Plan for Represented Employees

We have audited the accompanying statements of net assets available for benefits of Navistar, Inc. 401(k) Plan for Represented Employees (the Plan) as of December 31, 2015 and 2014, and the related statement of changes in net assets available for benefits for the year ended December 31, 2015. 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, 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 Navistar, Inc. 401(k) Plan for Represented Employees as of 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.

The supplemental information in the accompanying schedule of assets (held at end of year) as of December 31, 2015 has been subjected to audit procedures performed in conjunction with the audit of Navistar, Inc. 401(k) Plan for Represented Employees financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements but include supplemental information required by the

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Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplementary information is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental information reconciles to the basic 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 in the accompanying schedule, 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 referred to above is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

/s/ Grant Thornton LLP

Chicago, Illinois

June 27, 2016

Table of Contents**Navistar, Inc. 401(k) Plan for Represented Employees****STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS****December 31,**

	2015	2014
Assets		
Investment in Master Trust, at fair value	\$ 134,658,054	\$ 154,952,745
Receivables		
Participant pretax contributions	100,595	106,626
Employer contributions	2,584,800	1,965,589
Notes receivable from participants	6,481,224	6,495,081
Total receivables	9,166,619	8,567,296
Total assets	143,824,673	163,520,041
Liabilities		
Refunds due to participants	(2,919)	(27,395)
Net assets available for benefits, at fair value	143,821,754	163,492,646
Proportionate share of adjustment from fair value to contract value for fully benefit-responsive investment contracts	22,163	(256,080)
NET ASSETS AVAILABLE FOR BENEFITS	\$ 143,843,917	\$ 163,236,566

The accompanying notes are an integral part of these statements.

Table of Contents**Navistar, Inc. 401(k) Plan for Represented Employees****STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS****Year ended December 31, 2015**

Net investment loss from Master Trust (Note C)	(\$ 5,240,545)
Interest income on notes receivable from participants	255,584
Contributions	
Participant	8,456,669
Employer Retirement	2,286,522
Employer Matching	2,034,445
Rollovers from other qualified plans	128,033
Total contributions	12,905,669
Benefits paid to participants	(27,249,879)
Administrative expenses	(150,996)
Decrease in net assets prior to transfers	(19,480,167)
Transfers from other qualified plans within Master Trust, net	87,518
NET DECREASE	(19,392,649)
Net assets available for benefits	
Beginning of year	163,236,566
End of year	\$ 143,843,917

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Navistar, Inc. 401(k) Plan for Represented Employees

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE A - DESCRIPTION OF THE PLAN

The following description of the Navistar, Inc. 401(k) Plan for Represented Employees (the *Plan*) is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

General

The Plan, established October 2, 1991, is sponsored by Navistar, Inc. (the *Company*), the principal operating subsidiary of Navistar International Corporation (*Navistar*), to provide savings and retirement benefits for certain eligible represented employees of the Company and of certain affiliates participating under the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (*ERISA*).

Eligibility

The Plan is offered to eligible Company employees who are represented by a labor organization under a collective bargaining agreement who have met certain seniority or service requirements under the terms of the respective collective bargaining agreements.

Contributions and Vesting

Participant contributions may be made to the Plan only on a pretax basis and are subject to annual maximum limits equal to the lesser of 25% of the participant's eligible compensation or a prescribed Internal Revenue Service (*IRS*) dollar amount. Effective April 1, 2015, 25% was changed to 50% for employees covered under the UAW Master Contract. Those participants who were age 50 or over during the Plan year are permitted to contribute additional amounts on a pretax basis subject to a prescribed IRS dollar amount. Pretax contributions may be elected at a minimum level of 1% of eligible compensation at any time. Subject to Company approval, certain eligible employees are allowed to make rollover contributions to the Plan if such contributions satisfy applicable regulations. Such employees are not required to be participants for any other purpose than their rollover account; however, no pretax salary reduction contributions may be made until such time as such employee would otherwise become eligible to and does elect participation in the Plan. Participant salary reduction contributions and rollover contributions are fully vested immediately.

Newly hired employees under certain collective bargaining agreements are automatically enrolled in the Plan at an employee deferral contribution rate of 6% of eligible compensation. In general, such automatic enrollment will be effective the first pay period following the hire date, unless the employee elects to participate earlier or elects to opt out of enrollment until a future date.

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Navistar, Inc. 401(k) Plan for Represented Employees

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE A - DESCRIPTION OF THE PLAN - Continued

For the 2015 and 2014 Plan years, certain collective bargaining agreements provide for an employer retirement contribution. This contribution is employer-provided and is allocated among eligible members of the applicable bargaining unit based on the participant's age at either year-end, or the calendar quarter in accordance with the applicable collective bargaining agreement, and eligible compensation. Certain collective bargaining agreements also provide for an employer matching contribution of either 25% of the first 6% of eligible compensation deferred by the participant, 100% of the first 4% of eligible compensation deferred by the participant or 50% of the first 6% of eligible compensation deferred by the participant, as specified in the eligible participant's respective collective bargaining agreement.

Participant Accounts

Individual accounts are maintained for each Plan participant. Realized gains and losses, unrealized appreciation and depreciation, and dividends and interest are allocated to participants based on their proportionate share of the funds. Fund managers' fees are charged to participants' accounts as a reduction of the return earned on each investment option. Also, participant accounts may be assessed a quarterly recordkeeping fee depending on the respective collective bargaining agreement. The fee was previously adjusted upward or downward, based on revenue sharing estimates for the following year. Revenue sharing is an investment fund paying JPMorgan Retirement Plan Services (now Empower Retirement following the acquisition of Great West Financial Services on September 3, 2014) to track an individual's investment in their fund for them and other related services. Prior to 2015, the annual per participant recordkeeping fee was \$51.89. The fee was adjusted downward to \$9.12, \$2.28 to be paid quarterly, due to revenue sharing. Effective in 2015, all revenue sharing within the Navistar 401(k) investment fund options were eliminated; the expense ratios for those funds previously participating in revenue sharing decreased accordingly. Effective January 1, 2015, the total annual per participant recordkeeping fee is \$49.00 per year, \$12.25 to be paid quarterly, a decrease from the previous total annual per participant fee of \$51.89.

Notes Receivable from Participants

Participants may borrow from their fund accounts a minimum of \$1,000 up to the lesser of 50% of their pretax and rollover account balance or \$50,000, with no more than two loans outstanding at a time. Company matching and retirement contributions are not available for loans. Loan transactions are treated as a transfer between the applicable investment funds and the loan fund.

Loan terms range from one to five years, with the exception of loans made for the purchase of a principal residence, which may be repaid in installments over a period of up to ten years. The loans are secured by the balance in the participant's account and bear interest at a rate equal to prime plus one percentage point.

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Navistar, Inc. 401(k) Plan for Represented Employees

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE A - DESCRIPTION OF THE PLAN - Continued

Payment of Benefits

Participants may request either an in-service or hardship withdrawal of certain of their account assets. Participants may only withdraw authorized pretax salary reduction contributions after attaining age 59 $\frac{1}{2}$, or on a hardship basis prior to attaining age 59 $\frac{1}{2}$. The employer retirement contributions, matching contributions and investment earnings thereon are not eligible for in-service withdrawal. The amount of any withdrawal, distribution or loan is first charged against the participant's interest in Plan investments other than the Navistar Stock Fund on a pro rata basis. Any subsequent distributions of an account invested in the Navistar Stock Fund will be made in the form of Navistar common stock.

A participant's vested account is distributable at the time a participant separates from service with the Company, suffers a total and permanent disability or dies. A participant who is on layoff is considered to have terminated employment after the 12 month anniversary of the commencement of the period of continuous layoff. When the participant terminates employment prior to reaching normal retirement age with a vested balance of \$5,000 or less, and does not elect to have the distribution paid directly to an eligible retirement plan or receive a distribution, then the balance will be rolled over to an individual retirement plan designated by the Plan administrator. If the vested balance is more than \$5,000, the participant has the option of receiving the account upon separation or deferring receipt until no later than age 65. Accounts are distributed in a single sum. If the participant elects to receive a check and the check remains uncashed after 120 days, the Plan administrator will notify the participant that the check remains uncashed. Following an administrative period, if the check remains uncashed, the check will be void and the funds will be rolled over to an individual retirement plan designated by the Plan administrator.

Administrative Fees

Certain administrative expenses of the Plan are paid by the Participants depending on the respective union contract. Certain Plan administrative expenses are paid by the Company and are expensed as incurred.

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Navistar, Inc. 401(k) Plan for Represented Employees

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Plan are presented on 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 management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

New Accounting Guidance

In May 2015, The FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which exempts investments measured using the net asset value (NAV) practical expedient in ASC 820, *Fair Value Measurement*, from categorization within the fair value hierarchy. The guidance requires retrospective application and is effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted.

The Plan's administrator is currently evaluating the impact the updated guidance will have on the Plan's financial statement disclosures.

In July 2015, the FASB issued ASU 2015-12, *Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962) and 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*. This three-part standard simplifies employee benefit plan reporting with respect to fully benefit-responsive investment contracts and plan investment disclosures, and provides for a measurement-date practical expedient. Parts I and II are effective for fiscal years beginning after December 15, 2015 and should be applied retrospectively, with early adoption permitted.

The Plan's administrator is currently evaluating the impact the updated guidance will have on the Plan's financial statement disclosures.

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Navistar, Inc. 401(k) Plan for Represented Employees

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Risks and Uncertainties

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 the amounts reported in the financial statements.

Investment Valuation

The Plan follows guidance on accounting for fair value measurements which defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date, and establishes a framework for measuring fair value. The Plan uses a three-level hierarchy of measurements based upon the reliability of observable and unobservable inputs used to arrive at fair value. Observable inputs are independent market data, while unobservable inputs reflect the Plan management's assumptions about valuation. Depending on the inputs, the Plan classifies each fair value measurement as follows:

Level 1 based upon quoted prices for *identical* instruments in active markets,

Level 2 based upon quoted prices for *similar* instruments, prices for identical or similar instruments in markets that are not active, or model-derived valuations all of whose significant inputs are observable, and

Level 3 based upon one or more significant unobservable inputs.

The following describes the methods and significant assumptions used to estimate fair value of the Plan's investments:

The Plan's investment in the Navistar, Inc. Defined Contribution Plans Master Trust (Master Trust) is presented at fair value, which has been determined based on the fair value of the underlying investments of the Master Trust.

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Navistar, Inc. 401(k) Plan for Represented Employees

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The investments held by the Master Trust are valued as follows:

Common and collective funds: Valued at the net asset value (NAV) used as a practical expedient to estimate fair value as provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV 's unit price is quoted on a private market that is not active.

Registered investment companies (mutual funds): Valued at the NAV of shares held by the Plan at year end, which is obtained from an active market.

Common stock: Valued at the closing price reported on the active market on which the security is traded.

See Note C - Master Trust for the Master Trust 's investments by level within the fair value hierarchy as of December 31, 2015 and 2014.

Notes Receivable from Participants

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Interest income is recorded on the accrual basis. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2015 or 2014. If a participant ceases to make loan repayments and the Plan Administrator deems the participant loan to be in default, the participant loan balance is reduced and a benefit payment is recorded.

Income Recognition

Security transactions are accounted for on the trade-date basis. Dividend income is accrued on the ex-dividend date. Interest income is recorded on the accrual basis.

Participant Withdrawals

As of December 31, 2015 and 2014, there were no benefits due to former participants who have withdrawn from participation in the Plan. Benefits are recorded when paid.

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Navistar, Inc. 401(k) Plan for Represented Employees

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Transfers

Transfers between the Plan and the Navistar, Inc. Retirement Accumulation Plan which participates in the Master Trust, occur when a participant incurs a change in job status or a job transfer to another affiliate that makes the participant ineligible to participate in their current plan and requires the transfer of their account balance to another plan within the Master Trust for which they are eligible. Net transfers into the Plan for 2015 are \$87,518.

NOTE C - MASTER TRUST

Effective August 1, 2015, Great West Trust Company, LLC replaced JPMorgan Chase Bank as Trustee for the Plan. All of the Plan's investment assets are held in a trust account at Great West Trust Company, LLC (the Trustee) and consist of a divided interest in an investment account of the Master Trust, a master trust established by the Company and administered by the Trustee. Use of the Master Trust permits the commingling of Plan assets with the assets of another defined contribution plan sponsored by the Company and its affiliated companies for investment and administrative purposes. Although assets of the plans are commingled in the Master Trust, the Trustee maintains supporting records for the purpose of allocating the net gain or loss of the investment account to the participating plans. The net investment income of the investment assets is allocated by the Trustee to each participating plan based on the relationship of the interest of each plan to the total of the interests of the participating plans.

Table of Contents**Navistar, Inc. 401(k) Plan for Represented Employees****NOTES TO FINANCIAL STATEMENTS****December 31, 2015 and 2014****NOTE C - MASTER TRUST- Continued**

The participating plans in the Master Trust net assets (after adjustment from fair value to contract value for fully benefit-responsive investment contracts) and their respective percent interests as of December 31, 2015 and 2014, calculated on a cash basis, are as follows:

	2015	2014
Navistar, Inc. 401(k) Plan for Represented Employees	16.33%	17.47%
Navistar, Inc. Retirement Accumulation Plan	83.67%	82.53%

The following table presents the carrying value of investments of the Master Trust as of December 31:

	2015	2014
Common and collective funds	\$ 449,745,757	\$ 477,890,458
Registered investment companies	359,653,587	385,622,307
Navistar common stock	15,312,114	22,847,514
JP Morgan cash investment	161,309	27,143
Total investments, at fair value	824,872,767	886,387,422
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	90,477	(905,630)
Net investments	\$ 824,963,244	\$ 885,481,792

The net investment earnings of the Master Trust for the year ended December 31, 2015, are summarized below:

Dividend and interest income

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Common and collective funds	\$ 44,028
Registered investment companies	29,868,992
Total dividend and interest income	29,913,020
Net realized and unrealized appreciation (depreciation) in fair value	
Common and collective funds	\$ (502,623)
Registered investment companies	(24,035,800)
Navistar stock	(24,687,260)
Net depreciation in fair value	(49,225,683)
Other losses	(2,349)
Net investment losses	\$ (19,315,012)

Table of Contents**Navistar, Inc. 401(k) Plan for Represented Employees****NOTES TO FINANCIAL STATEMENTS****December 31, 2015 and 2014****NOTE C - MASTER TRUST Continued**

The following tables present the Master Trust's investments by level within the fair value hierarchy as of December 31, 2015 and 2014:

2015	Level 1	Level 2	Level 3	Total
Common and collective funds				
Cash equivalents (a)	\$	\$ 516,235	\$	\$ 516,235
Target date (b)		207,507,418		207,507,418
Index (c)		72,632,270		72,632,270
Fixed income (d)		169,251,143		169,251,143
Total common and collective funds		449,907,066		449,907,066
Registered investment companies				
Equities				
Multi Cap Value	55,860,638			55,860,638
Large Cap Value	31,590,467			31,590,467
Large Cap Growth	80,226,593			80,226,593
Small Cap Core	63,938,741			63,938,741
Mid Cap Growth	90,628,032			90,628,032
International Core	37,409,116			37,409,116
Total registered investment companies	359,653,587			359,653,587
Navistar common stock	15,312,114			15,312,114
Total assets at fair value	\$ 374,965,701	\$ 449,907,066	\$	\$ 824,872,767

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2014	Level 1	Level 2	Level 3	Total
Common and collective funds				
Cash equivalents(a)	\$	\$ 511,173	\$	\$ 511,173
Target date (b)		212,241,152		212,241,152
Index (c)		76,310,604		76,310,604
Fixed income (d)		188,854,672		188,854,672
Total common and collective funds		477,917,601		477,917,601
Registered investment companies				
Equities				
Multi Cap Value	68,751,833			68,751,833
Large Cap Value	35,451,048			35,451,048
Large Cap Growth	81,859,368			81,859,368
Small Cap Core	74,244,354			74,244,354