UNIVEST CORP OF PENNSYLVANIA
Form 11-K
June 24, 2013
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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, 2012

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

For the Transition Period from __________ to __________

Commission File Number 0-7617

UNIVEST CORPORATION OF PENNSYLVANIA

DEFERRED SALARY SAVINGS PLAN

(Title of Plan)

UNIVEST CORPORATION OF PENNSYLVANIA

(Name of Issuer of securities held pursuant to the Plan)

14 North Main Street, Souderton, PA 18964

(Address of Plan and of principal executive office of Issuer)

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Item 4. FINANCIAL STATEMENTS AND EXHIBITS

a) The following Plan financial statements, schedules and reports are attached hereto:

Report of Independent Registered Public Accounting Firm

Statements of Net Assets Available for Benefits at December 31, 2012 and 2011

Statements of Changes in Net Assets Available for Benefits for the Years Ended December 31, 2012 and 2011

Notes to Financial Statements

Supplemental Schedule

Schedule H, Line 4i Schedule of Assets (Held at End of Year) at December 31, 2012

b) Exhibit 23.1 Consent of Independent Registered Public Accounting Firm

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Univest Corporation of Pennsylvania

Deferred Salary Savings Plan

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Note: All other schedules required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, as amended, have been omitted because there is no information to report.

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Report of Independent Registered Public Accounting Firm

The Deferred Salary Savings Plan Committee

Univest Corporation of Pennsylvania

We have audited the accompanying statements of net assets available for benefits of the Univest Corporation of Pennsylvania Deferred Salary Savings Plan (the Plan) at December 31, 2012 and 2011, 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 at December 31, 2012 and 2011, and the changes in net assets available for benefits for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedule H, Line 4i Schedule of Assets (Held at End of Year) as of December 31, 2012 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ KPMG LLP
Philadelphia, Pennsylvania
June 24, 2013

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UNIVEST CORPORATION OF PENNSYLVANIA

DEFERRED SALARY SAVINGS PLAN

Statements of Net Assets Available for Benefits

	At December 31, 2012	2011
Assets:		
Investments, at fair value	$ 31,108,478	$ 26,104,303
Contributions receivable	64,026	54,216
Interest and dividends receivable	5,065	48,097
Total assets	31,177,569	26,206,616
Liabilities:		
Excess contributions payable	40,354	32,471
Net assets available for benefits, at fair value	$ 31,137,215	$ 26,174,145
Adjustment from fair value to contract value for interest in stable value fund relating to fully benefit-responsive investment contract	(42,949)	
Net assets available for benefits	$ 31,094,266	$ 26,174,145

See accompanying notes to financial statements.

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UNIVEST CORPORATION OF PENNSYLVANIA

DEFERRED SALARY SAVINGS PLAN

Statements of Changes in Net Assets Available for Benefits

	For the Years Ended December 31, 2012	2011
Additions (reductions):		
Investment income (loss):		
Interest and other	$ 137	$ 216
Dividends	239,023	218,375
Net appreciation (depreciation) in fair value of investments	3,630,182	(1,610,777)
Total investment income (loss)	3,869,342	(1,392,186)
Contributions:		
Employer	673,924	635,591
Participants	1,830,111	1,692,772
Rollovers	321,466	76,534
Total contributions	2,825,501	2,404,897
Total additions	6,694,843	1,012,711
Deductions:		
Benefits paid directly to participants	1,774,722	1,314,846
Total deductions	1,774,722	1,314,846
Net increase (decrease) in net assets available for benefits	4,920,121	(302,135)
Net assets available for benefits:		
Beginning of year	26,174,145	26,476,280
End of year	$ 31,094,266	$ 26,174,145

See accompanying notes to financial statements.

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UNIVEST CORPORATION OF PENNSYLANIA

DEFERRED SALARY SAVINGS PLAN

Notes to Financial Statements

December 31, 2012 and 2011

(1) Description of Plan

The following brief description of the Univest Corporation of Pennsylvania Deferred Salary Savings Plan (the Plan) provides only general information. Participants should refer to the summary plan description for a more complete description of the Plan s provisions.

(a) General

The Plan is a deferred salary savings plan established June 23, 1982 and restated effective January 1, 2008, covering all employees of Univest Corporation of Pennsylvania and its wholly owned subsidiaries (the Corporation or the Employer or Plan Sponsor) who have attained the age of 18. Employees can enter the Plan on the first day of the month following the fulfillment of the eligibility requirements. However, with respect to matching contributions, qualified non-elective contributions and discretionary profit-sharing contributions, employees are eligible to receive these contributions in the Plan after they have completed at least six months of service. The Plan is subject to the provisions of the Employment Retirement Income Security Act of 1974 (ERISA), as amended.

The Plan is administered by the Deferred Salary Savings Plan Committee appointed by the Board of Directors of the Corporation under a written plan and trust agreement between the Employer and the Trustee. The Trustee refers to members of the Board of Directors who are trustees of the plan and trust and are collectively referred to as the Trustee. The Trustee has appointed Univest Bank and Trust Co. (the Bank), a wholly owned subsidiary of the Corporation, as investment manager of the Plan.

(b) Contributions

Participants may contribute a percentage of eligible compensation on a pre-tax or after-tax basis or a combination thereof, up to the Internal Revenue Code (IRC) maximum allowable limit for 2012 of $17,000 if under age 50 and $22,500 if age 50 or over. Under the Roth 401 (k) contribution option, a participant can make after-tax contributions; distributions from a participant s Roth 401(k) contributions and earnings thereon at retirement are generally tax-free. Employer contributions made on a participant s Roth 401(k) contributions are made on a pre-tax basis. Participant contributions may be subject to additional limitations imposed by the IRC as detailed in the Plan.

The Employer makes a matching contribution of up to 50% of the participants contributions on a pre-tax basis under the plan provisions. Matching contributions are limited to the initial 6% of compensation a participant contributes. Additional amounts may be contributed at the election of the Corporation s Board of Directors. Participants may also contribute amounts representing distributions from other qualified plans (rollovers).

(c) Investment Options

Participants direct the investment of their contributions, matching contributions, qualified non-elective contributions and discretionary contributions into various investment options offered by the Plan. The Plan currently offers investments in the Corporation s common stock, a registered investment company bond fund, and pooled separate accounts with John

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Hancock Life Insurance Company (U.S.A.) (John Hancock). Effective March 14, 2012, participant investments in the John Hancock Money Market Fund, Short-Term Federal Fund and Guaranteed Interest Accounts were replaced with and transferred to the John Hancock Stable Value Fund. Participants were given the option of redirecting and transferring their funds in investments being eliminated into any of the alternative investment options offered by the Plan. The John Hancock Stable Value Fund is similar in its investment objectives to the investment options that were eliminated.

(d) Participant Accounts

Each participant s account is credited with the participant s contribution and an allocation of (a) the Employer s contribution and (b) Plan earnings (losses).

(e) Vesting

Participants are considered fully vested at all times in their voluntary contributions, plus actual earnings (losses) thereon.

Vesting in the remainder of participant accounts is based upon the number of years of continuous service. A participant is 50% vested at the end of two years of service, 75% vested at the end of three years of service, and fully vested at the end of four years of service. Participants attaining their normal retirement age, participants who become disabled and beneficiaries of participants who die are entitled to 100% of participant s accrued benefits, regardless of credited service period.

(f) Payment of Benefits

The benefit to which a participant is entitled is that which can be provided from the participant s account. Benefits shall be paid in either a lump-sum payment or calculated periodic payments when payable, based upon the election of the participant and as specified in the Plan agreement. Generally, benefit payments must commence not later than the year in which a participant attains age 70 $^1/_2$.

(g) Participant Loans

Loans to participants from the Plan are not permitted.

(h) Plan Termination

Although it has not expressed any intent to do so, the Corporation has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants will become fully vested in their accounts.

(i) Excess Contributions

Excess contributions primarily represent salary deferrals withheld from participants in excess of the IRC limitations. These amounts are refunded to participants subsequent to year-end. Excess contributions during 2012 were recorded as a liability in the statement of net assets available for benefit and refunded to participants in March 2013.

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(j) Forfeited Accounts

Forfeitures of terminated participants nonvested accounts are used to reduce employer contributions. During 2012 and 2011, the Corporation used forfeited amounts to reduce employer contributions by $22,624 and $12,066, respectively. At December 31, 2012 and 2011, forfeited nonvested accounts that were not used to reduce employer contributions totaled $3,488 and $3,756, respectively.

(2) Summary of Accounting Policies

(a) Basis of Accounting

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

(b) Investment Valuation and Income Recognition

Investments are stated at fair value. However, contract value is the relevant measurement attribute for the 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 interest in the stable value fund relating to the fully benefit-responsive investment contract as well as the adjustment of the fully benefit-responsive investment contract from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is presented on a contract value basis. Contract value equals principal balance plus accrued interest. The stable value fund represents participation units, held in a pooled separate account, of a collective investment trust for which the net asset value (NAV) is based on the market value of the underlying investments.

The underlying securities in each pooled separate account are listed on national securities exchanges and valued on the basis of year-end closing prices; securities traded in the over-the-counter market are valued at the closing price on the last business day of the year; and guaranteed interest accounts are valued at cost plus accrued interest which approximates fair value. Gain or loss on securities sold is based on average cost. 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.

(c) Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP 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.

(d) Expenses

The Corporation pays the costs of trust and other administrative services of the Plan.

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(e) Payment of Benefits

Benefit payments to participants are recorded when paid.

(f) Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued an Accounting Standard Codification Update (ASU) regarding fair value measurements which establishes a global standard in U.S. GAAP and International Financial Reporting Standards for applying fair value measurements and disclosures. Consequently, the amendments in this update change the wording to describe some of the requirements for measuring fair value and for disclosing information about fair value measurements. The amendments do not require additional fair value measurements and most of the amendments are not intended to result in a change of the application of fair value measurement requirements. The amendment enhances disclosure requirements, particularly for Level 3 fair value measurements. This amendment was effective for fiscal years and interim periods within those years, beginning after December 15, 2011, or for the year ending December 31, 2012 for the Plan, and is to be applied prospectively. The adoption of this guidance did not have a material impact on the Plan s fair value measurement disclosures.

(3) Investments

Investments that represent 5% or more of the fair value of the Plan s net assets at December 31, 2012 and 2011 are indicated below.

	At December 31, 2012	2011
Univest Corporation of Pennsylvania common stock	$ 3,947,535	$ 3,242,028
John Hancock Lifestyle Balanced Fund	4,342,935	3,834,813
John Hancock Lifestyle Growth Fund	4,075,342	3,332,855

For the years ended December 31, 2012 and 2011, the Plan s investments, including investments purchased and sold, as well as held during the year appreciated (depreciated) in fair value as follows:

	For the Years Ended December 31, 2012	2011
Univest Corporation of Pennsylvania common stock	$ 554,564	$ (895,060)
Federated Total Return Bond Fund	14,925	14,460
Pooled separate accounts*	3,060,513	(729,528)
Guaranteed interest accounts	180	(649)
	$ 3,630,182	$ (1,610,777)

*

Includes appreciation for the stable value fund of $10,208 during 2012. (The Plan s investments did not include the stable value fund during 2011.)

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Stable Value Fund

The Plan invests in the John Hancock Stable Value Fund which is a collective investment trust fund sponsored by John Hancock. The fund s primary investment objectives are to preserve principal, maintain a competitive interest rate, and provide daily liquidity at contract value for plan-permitted, participant-directed withdrawals. The fund invests primarily in diversified fixed-income mutual funds and separately managed bond accounts run by investment subsidiaries of John Hancock, and in contract value stabilizing agreements offered by high-quality financial institutions. The stabilizing agreements are designed to offset price fluctuations associated with fixed-income investments by smoothing the effect of any gains or losses on the assets and to offer participants daily liquidity at contract value. Contract value is generally equal to the principal amounts invested in the underlying investments, plus interest accrued at a crediting rate established under the contract, less any adjustment for withdrawals.

Crediting rates on contracts are net of fees to the provider. The calculation of the crediting rate incorporates the book value, market value, duration, and current market yield rates of assets held. Interest crediting rates are typically reset monthly; however, under certain circumstances (such as during periods of high market volatility, unexpected cash in-flows or unexpected withdrawals), it may be reset more frequently. Under the terms of the contract, the crediting rate will not be less than 0%. Periodic resets of the crediting rate may be affected by, among other things, i) changes in the market value of assets, (ii) income, gains and losses with respect to assets, (iii) fees and expenses incurred in asset management and the operation of related accounts or contracts, (iv) the timing and amount of cash in-flows and withdrawals, and (v) the terms and conditions of relevant benefit responsive contracts. For 2012, the average yield for the stable value fund was 1.57% and the crediting interest rate was 2.61%.

Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. The stable value fund is expected to have a constant contract value of $1.00, although there is no assurance that it will remain constant at $1.00. The fund s trust agreement provides that withdrawals for purposes other than normal benefit payments or plan permitted investment option transfers are subject to either up to a 12-month hold or a market value adjustment, as elected by the Plan Sponsor. These events may include, but are not limited to, the following: mergers, layoffs, plan termination, implementation of early retirement incentive programs or other events within the control of the Plan Sponsor resulting in a material and adverse financial impact on the issuer s obligations under the contract.

In addition, a breach of material obligation under a stability agreement could cause John Hancock or the stability provider to terminate the contract. Most stabilizing agreements also may be terminated by the stability provider due to adverse changes in applicable laws, regulations or accounting treatment. Replacement stabilizing agreements may not be available and participants may experience losses if the market value of the separate account assets no longer covered by the stabilizing agreement is below contract value.

At December 31, 2012, the Plan Sponsor believes the occurrence of an event that would limit the ability of the stable value fund to transact at contract value with the participants in the fund is not probable.

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(4) Fair Value Disclosure

Fair value is 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 on the measurement date. The Plan determines the fair value of its financial instruments based on the fair value hierarchy. The Plan maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Plan. Unobservable inputs are inputs that reflect the Plan s assumptions that the market participants would use in pricing the asset or liability based on the best information available in the circumstances, including assumptions about risk. Three levels of inputs are used to measure fair value. A financial instrument s level within the fair value hierarchy is based on the lowest level of input significant to the fair value measurement. Transfers between levels are recognized at the end of the reporting period.

Level 1 Valuations are based on quoted prices in active markets for identical assets or liabilities that the Plan can access at the measurement date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 Valuations are based on inputs that are unobservable and significant to the overall fair value measurement. Assets and liabilities utilizing Level 3 inputs include: financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the fair value calculation requires significant management judgment or estimation.

Where quoted prices are available in an active market for identical instruments, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of investments with similar characteristics or discounted cash flows. In cases where there is limited activity or less transparency around inputs to the valuation, investments are classified within Level 3 of the valuation hierarchy.

The following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Common stock is valued at the closing price reported on the active market on which the individual securities are traded. The common stock is classified in Level 1 in the fair value hierarchy.

The Federated Total Return Bond Fund is a registered investment company, which is valued at the NAV of shares on a market exchange as of the close of business at year-end. The Federated Total Return Bond Fund is classified in Level 1 in the fair value hierarchy.

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The Plan had $25,703,367 and $21,481,505 of investments in participation units held in pooled separate accounts through sub-accounts of an insurance company at December 31, 2012 and 2011, respectively. The Plan has concluded that the NAV as adjusted (for mutual fund dividends, mutual fund splits and administrative maintenance charges and other items) and reported by the insurance company approximates fair value of the investments. The investments are redeemable at the adjusted NAV under agreements with the insurance company, except for the stable value fund for which contract value is generally the amount participants would receive for plan-permitted, participant-directed withdrawals. The underlying investments in the stable value fund are valued using Level 1 pricing inputs or Level 2 pricing inputs, therefore the stable value fund is classified in Level 2 in the fair value hierarchy. Pooled separate accounts are classified in Level 2 in the fair value hierarchy

However, it is possible that the redemption rights may be restricted or eliminated in the future. Due to the nature of the investments, changes in market conditions, liquidity requirements, and the economic environment may significantly affect the NAV of the pooled separate accounts and, consequently, the fair value of the Plan s investments.

Guaranteed interest accounts are valued at cost plus accrued interest. Interest rates range from 0.20% to 1.30% at December 31, 2011.

The methods described previously 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 end of the reporting date.

The following table presents the fair value of the Plan s investments at December 31, 2012 and 2011, classified using the fair value hierarchy:

	Fair value measurements at December 31, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Cash money market account	$ 137,274	$	$	$ 137,274
Univest Corporation of Pennsylvania common stock	3,947,535			3,947,535
Federated Total Return Bond Fund	1,320,302			1,320,302
Pooled separate accounts				
Conservative (a)		1,203,733		1,203,733
Income (b)		2,756,064		2,756,064
Growth and income (c)		8,368,423		8,368,423
Growth (d)		7,375,713		7,375,713
Aggressive growth (e)		4,202,143		4,202,143
Lifecycle (f)		1,797,291		1,797,291
Total pooled separate accounts		25,703,367		25,703,367
Total investments	$ 5,405,111	$ 25,703,367	$	$ 31,108,478

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Fair value measurements at December 31, 2011