

KEMPER Corp  
Form 11-K  
June 21, 2017

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2016

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number 001-18298

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

Kemper Corporation 401(k) and Retirement Plan

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

Kemper Corporation

One East Wacker Drive

Chicago, IL 60601

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Required Information

Pursuant to the section of the General Instructions to Form 11-K entitled “Required Information,” this Annual Report on Form 11-K for the fiscal year ended December 31, 2016 consists of the audited financial statements of the Kemper Corporation 401(k) and Retirement Plan (the “Plan”) for the year ended December 31, 2016 and the related schedules thereto. The Plan is subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and in accordance with Item 4 of the section of the General Instructions to Form 11-K entitled “Required Information,” the financial statements and schedules furnished herewith have been prepared in accordance with the financial reporting requirements of ERISA in lieu of the requirements of Items 1-3 of that section of the General Instructions. Schedules I, II and III required by Article 6A of Regulation S-X are not submitted because they are either not applicable, the required information is included in the financial statements or notes thereto, or they are not required under ERISA.

	Page
Report of Independent Registered Public Accounting Firm	<u>1</u>
Statements of Net Assets Available for Benefits as of December 31, 2016 and 2015	<u>2</u>
Statement of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2016	<u>3</u>
Notes to the Financial Statements	<u>4</u>
Schedule of Assets (Held at End of Year) as of December 31, 2016	<u>8</u>

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Plan Administrative Committee and Participants of  
Kemper Corporation 401(k) and Retirement Plan  
Chicago, Illinois

We have audited the accompanying statements of net assets available for benefits of the Kemper Corporation 401(k) and Retirement (the "Plan") as of December 31, 2016 and 2015, and the related statement of changes in net assets available for benefits for the year ended December 31, 2016. 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 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. 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, 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, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2016 and 2015, and the changes in net assets available for benefits for the year ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. The supplemental schedule of assets (held at end of year) as of December 31, 2016, 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 compliance 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, such schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Deloitte & Touche LLP  
Chicago, Illinois  
June 21, 2017

Kemper Corporation 401(k) and Retirement Plan  
Statements of Net Assets Available for Benefits  
As of December 31, 2016 and 2015  
(Dollars in Thousands)

	2016	2015
Assets:		
Participant-directed Investments at Fair Value (See Note 3)	\$368,737	\$337,460
Notes Receivable from Participants	7,405	7,807
Employer Contributions Receivable	4,134	41
Participant Contributions Receivable	85	97
Net Assets Available for Benefits	\$380,361	\$345,405

The Notes to the Financial Statements are an integral part of these financial statements.

Kemper Corporation 401(k) and Retirement Plan  
Statement of Changes in Net Assets Available for Benefits  
For the Year Ended December 31, 2016  
(Dollars in Thousands)

Additions to Net Assets Attributed to:	
Employer Contributions, Net of Forfeitures of \$281	\$ 10,320
Participant Contributions	20,758
Dividends from Mutual Fund Shares	2,765
Interest from Notes Receivable from Participants	309
Dividends from Common Stock	332
Net Appreciation of Investments	24,476
Plan Transfers (Note 1)	9,120
Total Additions to Net Assets	68,080
Deductions From Net Assets Attributed to:	
Benefits Provided to Participants	32,984
Investment Expenses	140
Total Deductions from Net Assets	33,124
Increase in Net Assets Available for Benefits	34,956
Net Assets Available for Benefits, Beginning of the Year	345,405
Net Assets Available for Benefits, End of the Year	\$380,361

The Notes to the Financial Statements are an integral part of these financial statements.

Kemper Corporation 401(k) and Retirement Plan  
Notes to the Financial Statements

Note 1 – Plan Description

Effective September 22, 2016, Kemper Corporation (“Kemper” or the “Company”) merged the Kemper Corporation Defined Contribution Retirement Plan into the Kemper Corporation 401(k) Savings Plan. In connection with the merger, \$9,120 thousand of assets was transferred from the Kemper Corporation Defined Contribution Retirement Plan into the Kemper Corporation 401(k) Savings Plan. Following the merger the plan was renamed the Kemper Corporation 401(k) and Retirement Plan (the “Plan”).

The following summary description of the Plan is for general information only. A more detailed description of the Plan provisions is found in the formal Plan document and in summary materials distributed to Plan participants. The Plan is a defined contribution plan that is available to employees of Kemper and is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and consists of a 401(k) feature and a defined contribution feature.

Under the 401(k) feature of the Plan, employees are generally eligible to make pre-tax contributions to the Plan beginning on the first day of the month following the employee’s first full month of employment. Subject to Internal Revenue Code (the “Code”) limitations, participants are allowed to defer and contribute between 1% and 60% of their compensation to the Plan. Employees are also permitted to make rollover contributions from tax-qualified plans. Participant contributions, including rollover contributions, and earnings thereon are 100% vested. Kemper provides a matching contribution of 50% of the first 6% of compensation contributed each pay period by the participant. Employees are eligible for the employer matching contributions on the same date they become eligible to make pre-tax contributions to the Plan. Participants are 100% vested in employer matching contributions after three years of employment. The Plan provides for 100% vesting of employer matching contributions in the event of a change of control as defined in the Plan or upon attainment of normal retirement age, death, or disability.

Under the defined contribution feature of the Plan, employees generally become eligible to receive employer retirement contributions in the Plan if they are over the age of 21 years, on the first day of the quarter following the employee’s first full year of employment. Employees must satisfy the Plan’s eligibility criteria and remain employed on the last day of the Plan Year to receive a contribution. Subject to Code limitations, employer retirement contributions are deposited to participant accounts annually. Contribution rates are calculated based upon years of service with the Company and eligible compensation. Participants are 100% vested in employer retirement contributions after three years of employment. The Plan provides for 100% vesting of employer retirement contributions in the event of a change of control as defined in the Plan or upon attainment of normal retirement age, death, or disability.

An individual account is maintained by the Plan’s record keeper for each participant and updated with contributions, actual investment income or loss and withdrawals. Under the 401(k) feature of the Plan, each participant may suspend, resume, or change his or her rate of contribution at any time. If certain criteria are met, participants may withdraw all or a portion of their vested account balances, subject to certain restrictions. In addition, participants may borrow from their accounts, subject to certain limitations, at prevailing interest rates as determined by the Plan administrator, Kemper. Wells Fargo Bank, N.A. serves as the Plan’s record keeper and trustee.

Forfeited nonvested accounts are used to reduce employer contributions. Forfeited nonvested accounts were \$122 thousand and \$36 thousand at December 31, 2016 and 2015, respectively. During 2016, employer contributions were reduced by \$281 thousand from forfeited nonvested accounts.

Although the Company has not expressed any intent to terminate the Plan or to discontinue contributions, it is free to do so at any time, subject to the provisions set forth in ERISA. Should the Plan be terminated at some future date, all participants become 100% vested in benefits earned as of the Plan termination date.

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies and Changes

The financial statements of the Plan included herein have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

The preparation of financial statements in conformity with 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 materially from those estimates. Investment securities, in general, are

exposed to various risks, such as interest rate risk, credit risk, and overall market volatility risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that the values of investment securities will change in the near term and that such changes

Kemper Corporation 401(k) and Retirement Plan  
Notes to the Financial Statements (continued)

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies and Changes (continued)  
could materially affect the future value of participants' account balances and such future values could be materially different from the amounts reported in the financial statements.

Significant Accounting Policies

Participant-directed Investments are reported at fair value and include collective trusts and mutual fund shares. Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants on the measurement date. Shares of mutual funds are valued at quoted market prices that represent the net asset value of shares held by the Plan at the respective dates presented in the Statements of Net Assets Available for Benefits. The Plan uses net asset value of the shares held in common collective trusts as a practical expedient for determining fair value. Each collective trust provides for daily redemptions by the Plan at reported net asset values per share, with no advance notice requirement. Participants are generally able to change investment options on a daily basis without restrictions.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on an accrual basis. Dividend income is recorded on the ex-dividend date. Net appreciation, or net depreciation as the case may be, includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Loans from participants are included in Notes Receivable from Participants and are stated at unpaid principal balances plus accrued, but unpaid interest.

Loan administration fees are charged directly to the applicable participant's account and are included in investment expenses. Management fees and operating expenses charged to the Plan for investments in certain mutual funds are deducted from income earned and are not separately identified. Consequently, these management fees and operating expenses are recognized as reductions of investment returns for such investments. All other administrative expenses of the Plan are paid by the Plan Administrator.

Benefits provided to participants are recorded when paid. Account balances of participants who have elected to withdraw from the Plan, but have not yet been paid, were \$52 thousand and \$53 thousand at December 31, 2016 and 2015, respectively.

Note 3 – Fair Value Measurements

The Plan uses a hierarchical framework which prioritizes and ranks the market observability of inputs used in fair value measurements. Market price observability is affected by a number of factors, including the type of asset or liability and the characteristics specific to the asset or liability being measured. Assets and liabilities with readily available, active, quoted market prices or for which fair value can be measured from actively quoted prices generally are deemed to have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

The Plan classifies the inputs used to measure fair value into one of three levels as follows:

- Level 1 – Quoted prices in an active market for identical assets or liabilities;
- Level 2 – Observable inputs other than Level 1, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and model-derived prices whose inputs are observable or whose significant value drivers are observable; and
- Level 3 – Unobservable inputs for the asset or liability being measured.

Observable inputs are based on market data obtained from independent sources, while unobservable inputs are based on the Plan's market assumptions. Unobservable inputs require significant management judgment or estimation. In some cases, the inputs used to measure an asset or liability may fall into different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level of input that is significant to the entire measurement. Such determination requires significant management judgment. In accordance with GAAP, the Plan is not permitted to use management judgment to adjust quoted market prices in an active market.

Collective Trusts are valued at the net asset values of units of the respective collective trusts. The net asset values, as provided by the respective trustees, are used as a practical expedient to estimate fair values. The net asset values are based on the fair values of the underlying investments held by the respective funds less their respective liabilities.



Mutual Fund Shares are valued at the daily closing prices as reported by the respective mutual funds. 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. Kemper ESOP Fund is valued using the closing price of Kemper common stock reported on the New York Stock Exchange.

Kemper Corporation 401(k) and Retirement Plan  
Notes to the Financial Statements (continued)

Note 3 – Fair Value Measurements (continued)

Investments that are measured at fair value using the net asset value practical expedient are not required to be classified using the fair value hierarchy, but are presented in the following two tables to permit reconciliation of the fair value hierarchy to the amounts presented in the Statements of Net Assets Available for Benefits. The valuation of assets measured at fair value at December 31, 2016 is summarized below:

(Dollars in Thousands)	Level 1	Level 2	Level 3	Measured at Net Asset Value	Total Fair Value
Collective Trusts	\$—	\$ —	—\$	—\$140,543	\$140,543
Mutual Fund Shares	214,015	—	—	—	214,015
Kemper ESOP Fund	14,179	—	—	—	14,179
Total Investments at Fair Value	\$228,194	\$ —	—\$	—\$140,543	\$368,737

The valuation of assets measured at fair value at December 31, 2015 is summarized below:

(Dollars in Thousands)	Level 1	Level 2	Level 3	Measured at Net Asset Value	Total Fair Value
Collective Trusts	\$—	\$ —	—\$	—\$132,461	\$132,461
Mutual Fund Shares	190,831	—	—	—	190,831
Kemper ESOP Fund	14,168	—	—	—	14,168
Total Investments at Fair Value	\$204,999	\$ —	—\$	—\$132,461	\$337,460

The Plan's policy is to recognize transfers between levels as of the end of the reporting period. There were no transfers between levels in either 2016 or 2015.

Note 4 – Federal Income Tax Status

The Plan is exempt from income taxes under Section 401(a) of the Code. The Internal Revenue Service (“IRS”) has determined and informed the Company by a letter dated September 25, 2013 that the Kemper Corporation 401(k) Savings Plan and related trust were designed in accordance with the applicable regulations of the Code. The Kemper Corporation 401(k) Savings Plan has been amended, including an amendment to permit the merger with the Kemper Corporation Defined Contribution Retirement Plan, (see Note 1) since the receipt of such letter. The Company believes that the Plan, as amended, is currently designed and operated in compliance with the applicable requirements of the Code, and the Plan and related trust continue to be exempt from income taxes. Accordingly, no provisions for income taxes or uncertain tax positions have been included in the accompanying financial statements.

The statute of limitations for examination of the Plan by the IRS is closed for all tax years 2012 and prior. The Plan is subject to examination for the 2016, 2015, 2014 and 2013 tax years.

Under Federal income tax statutes, regulations, and interpretations, income taxes on amounts that a participant accumulates in the Plan are deferred and therefore not included in the participant's taxable income until those amounts are actually distributed. Except for certain contributions made prior to April 1, 1993, contributions are considered pre-tax deposits and are not subject to Federal income taxes at the time of contribution. Prior to April 1, 1993, certain contributions were made on an after-tax basis and are not subject to income tax when they are distributed to the participant because they have already been taxed. A participant's account balance, except for after-tax contributions made prior to April 1, 1993, is taxable income and generally is taxed at ordinary income tax rates when distributed. However, favorable tax treatment through special averaging provisions may apply to participants of a certain age. An additional 10 percent Federal income tax penalty may be imposed on all taxable income distributed to a participant unless the distribution meets certain requirements contained within Section 72 of the Code.

Taxable distributions from the Plan generally are subject to a 20 percent Federal income tax withholding unless directly rolled over into another eligible employer plan or Individual Retirement Account. Distributions of shares of Kemper common stock generally are not subject to the 20 percent withholding, and special tax rules may apply to the

calculation of “net unrealized appreciation” on such stock.

6

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Kemper Corporation 401(k) and Retirement Plan  
Notes to the Financial Statements (continued)

Note 4 – Federal Income Tax Status (continued)

If the Code and the Plan's requirements concerning loans to participants are satisfied, the amounts loaned to participants will not be treated as taxable distributions. If, however, the loan requirements are not satisfied and a default occurs, the loans will be treated as distributions from the Plan for Federal income tax purposes, and the tax consequences discussed above for distributions may apply. Interest payments made by the participant on their loans are generally not tax deductible.

Note 5 – Exempt Party-in-interest Transactions

Participants are permitted to invest in certain investment funds sponsored by the Wells Fargo Bank, N.A. group of companies.

At December 31, 2016 and 2015, the Kemper ESOP Fund held 306,675 shares and 369,733 shares of Kemper common stock, respectively, at aggregate fair values of \$13,586 thousand and \$13,773 thousand, respectively. In addition to its investment in Kemper common stock, the Kemper ESOP Fund had investments of \$593 thousand and \$397 thousand in a short-term investment fund at December 31, 2016 and 2015, respectively. These funds are used to provide liquidity for the Kemper ESOP Fund and are not investment options for participants. The Plan recorded dividends of \$329 thousand from participants' investments in the Kemper ESOP Fund for the year ended December 31, 2016. Effective November 12, 2015, except for the reinvestment of dividends on Kemper common stock, the Kemper ESOP Fund no longer accepts new contributions or investments. Existing account balances may remain in the Kemper ESOP Fund.

Note 6 – Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of Net Assets Available for Benefits per the Financial Statements to Total Assets per the Form 5500 and Net Assets per the Form 5500 at December 31, 2016 and 2015.

(Dollars in Thousands)	Dec 31, 2016	Dec 31, 2015
Total Assets per the Form 5500	\$380,361	\$345,405
Minus Liability for Unpaid Benefits per the Form 5500	(52 )	(53 )
Net Assets per the Form 5500	\$380,309	\$345,352

The following is a reconciliation of Decrease in Net Assets Available for Benefits per the Financial Statements to Net Income per the Form 5500 for the year ended December 31, 2016.

(Dollars in Thousands)

Decrease in Net Assets Available for Benefits per the Financial Statements	\$34,956
Plus:	
Change in the Liability for Unpaid Benefits per the Form 5500	1
Minus:	
Transfers of Assets to Plan per the Form 5500	(9,120 )
Total Net Income per the Form 5500	\$25,837

Kemper Corporation 401(k) and Retirement Plan  
Form 5500, Schedule H, Part IV, Line 4i  
Schedule of Assets (Held at End of Year)  
As of December 31, 2016  
(Dollars in Thousands)  
EIN #: 95-4255452  
PLAN #: 003

Party-in-interest	Identity of Issuer, Borrower, Lessor or Similar Party	Description of Investment	Current Value
*	Wells Fargo Stable Return Fund (N)	Collective Trust	\$64,392
*	Wells Fargo/Blackrock S&P 500 Index Fund CIT (N)	Collective Trust	54,562
	Vanguard Target Retirement 2030 Fund	Mutual Fund Shares	34,391
	Vanguard Target Retirement 2020 Fund	Mutual Fund Shares	27,767
	JP Morgan Large Cap Growth Fund (R6)	Mutual Fund Shares	23,570
	Metropolitan West Total Return Bond Fund (Plan)	Mutual Fund Shares	23,029
	Vanguard Target Retirement 2040 Fund	Mutual Fund Shares	22,067
	Perkins Small Cap Value Fund (N)	Mutual Fund Shares	18,687
	John Hancock Disciplined Value Mid Cap Fund (R6)	Mutual Fund Shares	17,664
*	Kemper ESOP Fund	Common Stock	14,179
	Delaware Emerging Markets Fund (I)	Mutual Fund Shares	13,425
*	Wells Fargo/MFS Value Fund CIT (N)	Collective Trust	12,761
	Prudential Jennison Mid Cap Growth Fund (Q)	Mutual Fund Shares	11,143
	Baron Small Cap Fund (I)	Mutual Fund Shares	7,637
	Vanguard Target Retirement 2050 Fund	Mutual Fund Shares	7,014
*	WF/Blackrock International Equity Index CIT (N)	Collective Trust	5,719
	Vanguard Target Retirement 2010 Fund	Mutual Fund Shares	4,755
	Vanguard Target Retirement Income Fund	Mutual Fund Shares	2,650
*	WF/Blackrock S&P Midcap Index CIT (N)	Collective Trust	1,858
*	WF/Blackrock Russell 2000 Index CIT (N)	Collective Trust	1,251
	Vanguard Target Retirement 2060 Fund	Mutual Fund Shares	216
	Total Investments Reported in the Financial Statements		368,737
*	Notes Receivable from Participants**	Participant Loans (Maturing 2016 - 2021 at Interest Rates of 4.25% - 9.25%)	7,405
	Total Investments Reported in the 5500		\$376,142

\* This party is known to be a party-in-interest to the Plan.

\*\*Net of \$71 in deemed loan distributions.

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

See Accompanying Report of Independent Registered Public Accounting Firm.

8

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Pursuant to the requirements of the Securities Exchange Act of 1934, Kemper Corporation, as plan administrator of the Kemper Corporation 401(k) and Retirement Plan, has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

KEMPER  
CORPORATION 401(k)  
AND RETIREMENT  
PLAN

By: Kemper Corporation

/s/ Richard Roeske  
Richard Roeske  
Vice President

June 21, 2017

Exhibit Index

23.1 Consent of Deloitte & Touche LLP

10