DIME COMMUNITY BANCSHARES INC
Form 11-K
June 29, 2018

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, 2017

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 0-27782

DIME COMMUNITY BANK KSOP
(F/K/A DIME COMMUNITY BANK 401(K) SAVINGS PLAN)
(Full Title of the Plan)

Dime Community Bancshares, Inc.
300 Cadman Plaza West, 8th Floor, Brooklyn, NY 11201
(Name of issuer of the securities held pursuant to the plan
and the address of its principal executive office.)

Registrant's telephone number, including area code: (718) 782-6200

Dime Community Bank KSOP
[f/k/a Dime Community Bank 401(k) Savings Plan]

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

DIME COMMUNITY BANK KSOP

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Note: All other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable

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Report of Independent Registered Public Accounting Firm

Plan Participants and Plan Administrator of Dime
Community Bank KSOP and the Employee Benefits Committee and the
Audit Committee of Dime Community Bank
300 Cadman Plaza West, 8th Floor
Brooklyn, New York

Opinion on the Financial Statements

We have audited the accompanying statements of net assets available for benefits of the Dime Community Bank KSOP (f/k/a "Dime Community Bank 401(k) Savings Plan") (the "Plan") as of December 31, 2017 and 2016, the related statement of changes in net assets available for benefits for the year ended December 31, 2017 and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2017 and 2016, and the changes in net assets available for benefits for the year ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on the Plan's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Plan in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting in accordance with the standards of the PCAOB. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion in accordance with the standards of the PCAOB.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Supplemental Information

The supplemental Schedule H, Line 4(a) – Schedule of Delinquent Participant Contributions and Schedule H, Line 4(i) – Schedule of Assets (Held at End of Year) as of December 31, 2017 and for the year then ended have been subjected to audit procedures performed in conjunction with the audit of Dime Community Bank KSOP's financial statements. The supplemental schedules are the responsibility of the Plan's management. Our audit procedures included determining whether the information presented in the supplemental schedules 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 schedules. In forming our opinion on the supplemental schedules, we evaluated whether the supplemental schedules including their form and content, are 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 schedules are fairly stated in all material respects in relation to the financial statements as a whole.

/s/Crowe Horwath LLP

We have served as the Plan's auditor since 2009.

New York, New York
June 29, 2018

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DIME COMMUNITY BANK KSOP
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
AS OF DECEMBER 31, 2017 AND 2016

	2017	2016
Participant directed investments, at fair value:		
Mutual funds	31,777,751	25,578,269
Stable value collective trust	13,844,432	13,184,390
Employer stock	56,741,001	-
Employer stock fund	-	11,722,606
Total investments at fair value	102,363,184	50,485,265
Employer contributions receivable	1,659,610	684,186
Participant contributions receivable	1,429	2,979
Notes receivable from participants	908,541	805,259
Other receivables	11,496	-
Total receivables	2,581,076	1,492,424
Other liabilities	18,438	-
NET ASSETS AVAILABLE FOR BENEFITS	$104,925,822	$51,977,689

See notes to financial statements.

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

	2017
ADDITIONS TO NET ASSETS ATTRIBUTED TO:	
Investment income:	
Net appreciation in fair value of investments	$6,233,973
Interest and dividend income	2,106,523
Total investment income	8,340,496
Contributions:	
Participant contributions	1,722,729
Rollover contributions	1,859,876
Employer contributions	1,659,610
Total contributions	5,242,215
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:	
Benefits paid to participants	8,877,041
Administrative expenses	178,522
Total deductions	9,055,563
INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS PRIOR TO TRANSFER	4,527,148
TRANSFERS IN FROM THE EMPLOYEE STOCK OWNERSHIP PLAN OF DIME COMMUNITY BANCSHARES, INC. AND CERTAIN AFFILIATES	48,420,985
INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS AFTER TRANSFER	52,948,133
NET ASSETS AVAILABLE FOR BENEFITS:	
Beginning of year	51,977,689
End of year	$104,925,822

See notes to financial statements.

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DIME COMMUNITY BANK KSOP
NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017 AND 2016 AND FOR THE YEAR ENDED DECEMBER 31, 2017

1. DESCRIPTION OF PLAN

The following is a brief description of the Dime Community Bank KSOP [f/k/a Dime Community Bank 401(k) Savings Plan] (the "Plan"). This description of the Plan is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

a. General – The Plan is a defined contribution plan covering all eligible employees. The Compensation and Human Resources Committee, comprised of members of the Board of Directors and management of the Dime Community Bank (the "Bank" or "Plan Sponsor"), oversees the operation and administration of the Plan. It is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The Bank is a wholly owned subsidiary of Dime Community Bancshares, Inc. (the "Company").

The Plan Sponsor received approval by its Board of Directors to merge the Employee Stock Ownership Plan of Dime Community Bancshares, Inc. (the "ESOP") into the Plan, and thereby creating a KSOP. On July 1, 2017, the ESOP transferred $48,420,985 of assets into the Plan.

b. Eligibility and Participation – Participation in the Plan is voluntary. Effective January 1, 2017, the Plan was amended such that employees shall become eligible if he or she has completed a period of service of at least one month. An employee is not an eligible employee if he or she is in an excluded class identified in the plan document.

c. Contributions – Contributions are subject to certain limitations. Employee contributions of up to 100% of compensation, as defined in the Plan document, are permitted. Employee contributions are subject to IRS contributions limits of $18,000 for elective deferrals and $6,000 for catch-up contributions for the year ended December 31, 2017. Effective January 1, 2017, the Plan was amended to implement 3% pre-tax automatic enrollment upon eligibility, unless the employee elects to opt-out, for employees hired on or after January 1, 2017.

The Bank makes a 3% safe harbor employer contribution annually to maintain the Plan's Safe Harbor status. The annual safe harbor employer contribution is made in the first quarter of each year based upon the total compensation through December 31st of the previous year. A contribution of $876,906 was made in March 2018, reflecting benefits for the year ended December 31, 2017.

Effective January 1, 2017, the plan was amended to also allow for discretionary profit sharing contributions of up to 3% of eligible compensation by the Plan Sponsor. A contribution of $782,704 was made in March 2018, reflecting benefits for the year ended December 31, 2017.

Participants may also contribute amounts representing distributions from other qualified plans.

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d. Participant Accounts – Individual accounts are maintained for each Plan participant. Each participant's account is credited with the participant's contributions, the Company's or Bank's contribution and Plan earnings, and charged with withdrawals and an allocation of Plan losses and administrative expenses. Allocations are based upon 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 vested account.

e. Vesting – All participants are 100% vested in the value of both participant and safe harbor employer contributions to the Plan, and any investment income that these investments may earn. Participant contributions, safe harbor employer contributions, and earnings thereon are non-forfeitable.

Participants vest in employer discretionary contributions as set forth in the following schedule.

Years of Service	Vested Percentage	
Less than 2	0	%
Less than 3 but more than 2	20	
Less than 4 but more than 3	40	
Less than 5 but more than 4	60	
Less than 6 but more than 5	80	
6 or more	100	

f. Investment Options – Participants direct the investment of both their existing individual account balances and their contribution amounts into various options offered by the Plan. As of December 31, 2017, there were twenty-one diversified registered mutual fund investment options available in the Plan, employer stock and a stable value fund.

All investment options are participant directed. Pentegra Asset Management ("Pentegra" or "Trustee") acts as trustee for the Plan.

Transfers between investment alternatives and rollover contributions to the Plan are placed in any of the above investment options in multiples of 1%, at the election of the participant.

g. Notes Receivable from Participants – Notes receivable from participants (or "Participant loans") are reported at their unpaid principal balance plus any accrued but unpaid interest, with no allowance for credit losses, as repayments of principal and interest are received through payroll deductions and the notes are collateralized by the participants' account balances.

Participant loans are permitted, subject to current Internal Revenue Service ("IRS") statutes and regulations. Participants may borrow up to 50% of their vested account balance up to a maximum of $50,000. Participants are permitted a maximum of two loans at any time under the Plan. Interest charged is fixed for the entire term of the loan and is commensurate with the interest rate then being charged in the area of the Plan Sponsor for loans made under similar circumstances. The maximum loan term for the purchase of a principal residence may not exceed fifteen years and loans for any other reason may not exceed five years. At the time of origination, the loans are funded through a reduction of benefit balances existing in the recipients' participant accounts. Loan repayments are made by automatic payroll deductions and are fully applied back into the recipients' participant benefit accounts. Participant loans that are delinquent or unpaid at the time of participant termination from the Plan are considered deemed distributions and reclassified as participant distributions based upon the terms of the Plan document.

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The following is a reconciliation of activity for notes receivable from participants:

	At or for the Year Ended December 31, 2017
Balance at the beginning of the period	$ 805,259
Loans originated	436,265
Loan principal repayments*	(332,983)
Balance at the end of the period	$ 908,541

* Total repayments were $366,059 including $33,076 of interest during the year ended December 31, 2017.

h. Payment of Benefits – On termination of services due to death, disability, or retirement, or for termination of service for other reasons, a participant may elect to receive either a lump-sum amount equal to the value of the participant's vested balance in his or her account, or annual installments over a period not to exceed the participant's life expectancy (or the assumed life expectancy of the participant and his or her beneficiary).

i. Plan Termination – Although the Bank has not expressed any intent to terminate the Plan, it has the right to terminate the Plan subject to the provisions of ERISA. In the event of a Plan termination, participant accounts will become fully vested.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Plan are as follows:

a. Basis of Accounting – The accompanying financial statements have been prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

b. Use of Estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires Plan management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

c. Risks and Uncertainties – The Plan provides for various investment options. Investments, in general, are exposed to various risks, such as interest rate, credit, and liquidity risks and overall market volatility. Due to the level of risk associated with certain investments, and the sensitivity of certain fair values to changes in the valuation assumptions, it is reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the financial statements.

d. Investment Valuation and Income Recognition – The Plan's investments are stated at fair value. All mutual fund investments of the Plan are publicly registered and traded on national securities exchanges, and are therefore carried at fair value based on their quoted market prices at the end of the year (level 1 inputs).

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The Plan's Stable Value Collective Trust Fund investment (the "Fund") is measured at Net Asset Value (“NAV”), as reported by the manager of the Fund, and as supported by the unit prices of actual purchase and sale transactions occurring as of or close to the financial statement date. The Fund provides for daily redemptions by the Plan participants. Full liquidation of the Fund requires a twelve-month advance notification. There are no other redemption restrictions, provisions or advance notification requirements.

The employer stock, which is publicly traded, is carried at fair value based upon its quoted market price at the end of the year (level 1 input). Prior to May 2017, the employer stock was held in the Employer Stock Fund which included an investment in liquid money market funds which was also deemed a level 1 valuation as it was readily convertible to cash. At December 31, 2016, the liquid money market funds had a balance of $242,466. On May 22, 2017, the Employer Stock Fund was converted from a unitized stock fund to 581,732 shares of employer stock at $19.95, the closing price of Company common stock on May 22, 2017, and cash was allocated in the amount of $433,589. At December 31, 2017, the Plan held 2,708,401 shares of employer stock valued at $20.95, the closing price of Company common stock on December 29, 2017.

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.

Net investment income consists of gains and losses realized from the sales of investments, the net change in the unrealized appreciation or depreciation on investments, and interest and dividends earned.

Purchases and sales are accounted for on a trade-date basis. Interest income is recorded on the accrual basis and dividend income is recorded on the ex-dividend date. Realized gains and losses from securities transactions are recorded on the average cost basis.

Management fees and operating expenses charged to the Plan for investments in the mutual funds are deducted from income earned on a daily basis and are not separately reflected. Consequently, management fees and operating expenses are reflected as a reduction of investment return for such investments.

e. Administrative Expenses - The Bank will pay the ordinary expenses of the Plan and compensation of the Trustee to the extent required, except that any expenses directly related to the Plan, such as transfer taxes, brokers’ commissions, registration charges, or administrative expenses of the Trustee, shall be paid from the Plan or from such investment account to which such expenses directly relate. The Bank may charge participants all or part of the reasonable expenses associated with withdrawals and other distributions, loans or account transfers.

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

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3. FAIR VALUE MEASUREMENTS

In accordance with Accounting Standards Codification ("ASC") 820 the Plan classifies its investments into Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; or Level 3, which refers to securities valued based on significant unobservable inputs that reflect the Plan’s own assumptions about the assumptions that market participants would use in pricing an asset or liability. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following tables set forth by level within the fair value hierarchy a summary of the Plan’s investments measured at fair value on a recurring basis at the dates indicated.

		Fair Value Measurements at December 31, 2017 Using		
Investment Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	$31,777,751	$ 31,777,751	$ -	$ -
Stable Value Collective Trust Fund[(1)]	13,844,432	-	-	-
Employer stock	56,741,001	56,741,001	-	-
TOTAL	$102,363,184			