

INTEGRYS ENERGY GROUP, INC.

Form 11-K

June 26, 2013

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, 2012

OR

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

For the transition period from _____ to _____

Commission File Number 33-35050

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

Integrys Energy Group
Employee Stock Ownership Plan

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

Integrys Energy Group, Inc.
(A Wisconsin Corporation)
130 East Randolph Street
Chicago, IL 60601-6207

REQUIRED INFORMATION

The following financial statements and schedules of the Integrys Energy Group Employee Stock Ownership Plan, prepared in accordance with the financial reporting requirements of the Employee Retirement Income Securities Act of 1974, as amended, are filed herewith.

Integrys Energy Group Employee Stock Ownership Plan &
Trust
Financial Statements as of and for the Years
Ended December 31, 2012 and 2011, Supplementary
Schedules as of and for the Year Ended
December 31, 2012, and Report of Independent Registered
Public Accounting Firm

INTEGRYS ENERGY GROUP
EMPLOYEE STOCK OWNERSHIP PLAN & TRUST

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Form 5500, Schedule H, Part IV, Line 4i — Schedule of Assets (Held at End of Year) as of December 31, 2012	17
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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.

[Schenck letterhead]

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Integrys Energy Group, Inc.
Employee Benefits Administrator Committee

We have audited the accompanying statements of net assets available for benefits of the Integrys Energy Group Employee Stock Ownership Plan and Trust (the "Plan") as of 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. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit 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 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 the Plan as of December 31, 2012 and 2011, and the changes in net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2012 and schedule of reportable transactions for the year ended December 31, 2012, are presented for the purpose of additional analysis and are not a required part of the financial statements but are 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. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Schenck SC

Certified Public Accountants
Green Bay, Wisconsin
June 25, 2013

INTEGRYS ENERGY GROUP
EMPLOYEE STOCK OWNERSHIP PLAN & TRUST

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
AS OF DECEMBER 31, 2012 AND 2011

	2012	2011
ASSETS:		
Investments — at fair value:		
Non-participant directed:		
Common stock of Integrys Energy Group, Inc.	\$ 177,586,799	\$ 173,235,132
Mutual Fund	14,534	8,442
Participant directed:		
Mutual funds	10,554,165	7,297,882
Collective trust funds	6,406,584	4,547,886
Total investments	194,562,082	185,089,342
Receivables:		
Employer contributions	1,281,393	1,215,163
NET ASSETS AVAILABLE FOR BENEFITS — at fair value	195,843,475	186,304,505
ADJUSTMENT FROM FAIR VALUE TO CONTRACT		
VALUE FOR FULLY BENEFIT-RESPONSIVE		
INVESTMENT CONTRACTS	(116,585)	(83,550)
NET ASSETS AVAILABLE FOR BENEFITS	\$ 195,726,890	\$ 186,220,955

See notes to financial statements.

INTEGRYS ENERGY GROUP
EMPLOYEE STOCK OWNERSHIP PLAN & TRUST

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
ADDITIONS:		
Employer contributions	\$ 14,653,066	\$ 13,236,212
Investment income:		
Interest and dividend income	9,159,017	8,480,877
Net appreciation (depreciation) in fair value of investments	(5,495,798)	17,507,398
Total investment income	3,663,219	25,988,275
DEDUCTIONS:		
Distributions to participants	8,270,580	7,944,938
Dividend distributions	539,770	484,856
Total deductions	8,810,350	8,429,794
NET INCREASE	9,505,935	30,794,693
NET ASSETS AVAILABLE FOR BENEFITS:		
Beginning of year	186,220,955	155,426,262
End of year	\$ 195,726,890	\$ 186,220,955

See notes to financial statements.

INTEGRYS ENERGY GROUP
EMPLOYEE STOCK OWNERSHIP PLAN & TRUST

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

1. DESCRIPTION OF THE PLAN

General — The Integrys Energy Group Employee Stock Ownership Plan and Trust (the “Plan”) was established effective January 1, 1975, as a defined contribution employee stock ownership plan. The Plan invests principally in Integrys common stock. The Plan is designed to comply with Section 4975(e)(7) and the regulations thereunder of the Internal Revenue Code of 1986, as amended (the “Code”), and is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Plan document, as amended, for more complete information.

Effective May 16, 2011, the name of the Plan was changed to Integrys Energy Group Employee Stock Ownership Plan and Trust from Wisconsin Public Service Corporation Employee Stock Ownership Plan and Trust.

Plan Sponsor — Wisconsin Public Service Corporation; a wholly owned subsidiary of Integrys Energy Group, Inc. (the “Company” or “Integrys”), is the Plan sponsor.

Plan Administration — Overall responsibility for administration of the Plan rests with the Employee Benefits Administrator Committee, which consists of Integrys employees. Wells Fargo Bank N.A. (the “Trustee”) serves as the Plan’s trustee and has custody of all cash and investments of the Plan. Wells Fargo Bank N.A. is also the recordkeeper for the Plan and maintains the individual participant accounts. Costs of administering the Plan are paid by either the Plan or the Company.

Eligibility — Administrative employees of the Company are generally eligible to participate in the Plan except for limited-term, temporary, and certain part-time employees (unless limited-term employees work one year and 1,000 hours and/or are participating in one of the Company’s employee savings plans). Limited-term employees are defined under the Plan as employees of the Company or any affiliate who are hired for a limited period of time, such as temporary summer help or as a student employee who is scheduled to perform services during summer or semester breaks. Certain non-administrative employees (employees covered by a collective bargaining agreement) which have an agreement with the Company are eligible to participate in the Plan. Certain non-administrative employees from Local 420 (formerly Local 310), International Union of Operating Engineers (AFL-CIO) (“Local 420”), Local 18007 of the Gas Workers Union, UWUA, AFL-CIO (“Local 18007”), Local 2285 of the International Brotherhood of Electrical Workers, AFL-CIO (“Local 2285”), International

Brotherhood of Electrical Workers Local 510 (“Local 510”), Local 12295 of the United Steelworkers Union (“Local 12295”), Local 31 International Brotherhood of Electrical Workers (“Local 31”), and Local 417 of the Utility Workers of America, AFL-CIO (“Local 417”) also participate in the Plan. Each collective bargaining agreement sets forth which non-administrative employees are eligible to participate in the Plan.

Employer Contributions — Contributions to the Plan on behalf of administrative employees and certain non-administrative employees are made in Integrys common stock and match participant contributions to other plans. The matching contributions have a value equal to a 100% match on the first 5% of eligible pay that each participant defers into the Wisconsin Public Service Corporation Administrative Employees’ Savings Plan, the Wisconsin Public Service Corporation Non-Administrative Employees’ Savings Plan (for participants hired or rehired on or after April 19, 2009 for Local 510, December 18, 2009 for Local 420, January 15, 2010 for Local 12295, March 22, 2011 for Local 31, and February 16, 2012 for Local 417), the Peoples Energy Employee Capital Accumulation Plan, or the Peoples Energy Employee Thrift Plan (for participants hired or rehired on or after May 1, 2008 for Local 18007 and July 1, 2008 for Local 2285). Such contributions totaled \$11,535,222 and \$9,699,633 for 2012 and 2011, respectively.

Pursuant to a union contract with Local 420, the Company contributes to the Plan on behalf of eligible employees who are members of Local 420, 2% of a participant’s gross pay. Also, an additional percentage (as described in the collective bargaining agreement based on the participant’s date of hire/rehire) of a participant’s base pay is contributed to the Plan. Contributions pursuant to this collective bargaining agreement with Local 420 employees totaled \$3,117,844 and \$3,536,579 for 2012 and 2011, respectively.

Vesting — Participants are immediately vested in their accounts.

Payment of Benefits — Benefits paid to participants represent the amount paid during the year to participants who elected to receive the distribution of their account balance. Non-administrative participants may withdraw from their account shares that have been held at least 84 months. Administrative participants may withdraw from their account shares that were received prior to January 1, 2001, and held for at least 84 months. For administrative employees, shares received after January 1, 2001, may be withdrawn only upon termination or retirement. Diversification withdrawals are also allowed for those over age 55 and who have participated in the Plan for over ten years.

Former employees may elect to receive lump sum distributions quarterly as described in the Plan document, or may defer distribution until the year they attain age 69. Participants who die, become disabled, retire, or otherwise terminate employment with the Company are entitled to elect a distribution as early as the next withdrawal opportunity. To the extent provided for by a qualified domestic relations order, and as determined by the administrator, a lump-sum payment may be made to an alternate payee under such order at the next withdrawal opportunity. Fractional shares and balances diversified into mutual funds or the

collective trust funds are paid in cash. Amounts held in Integrys common stock are issued in full share certificates.

Dividend Distributions — Each eligible participant may elect, for dividends declared and payable on stock that is allocated to the participant account, to be paid in cash directly to the participant or be reinvested in the participant's account. Dividends that are reinvested in the participant's account are used to purchase additional shares of Integrys stock at the closing market price on the payment date of the dividend.

Participant Accounts — Individual accounts are maintained for each of the Plan's participants to reflect the employer contributions, as well as the participant's share of the Plan's income and any related administrative expenses. Allocations of interest/expense are based on the proportion that each participant's account balance bears to the total of all participant account balances.

Investment Options — Contributions to the Plan are nonparticipant directed into Integrys common stock. Participants have the option to diversify into mutual funds and collective trust funds within the Plan on a quarterly basis. Diversification transactions occur within a certain time period each quarter. The mutual funds and collective trust funds are managed by Wells Fargo, Fidelity, Neuberger Berman, Invesco, Loomis Sayles, Vanguard, Hartford, Dodge & Cox, American Funds, and the Northern Trust Company.

Voting Rights — Each participant is entitled to exercise voting rights attributable to the shares allocated to the participant's account. Each participant is notified by the Trustee prior to the time that such rights are to be exercised. The Trustee is not permitted to vote any share for which instructions have not been given by a participant.

Plan Amendments — The Wisconsin Public Service Corporation Non-Administrative Savings Plan and Trust was amended in 2011 to reflect the negotiated changes for Local 31 participants hired or rehired on or after March 22, 2011 and in 2012 to reflect the negotiated changes for Local 417 participants hired or rehired on or after February 16, 2012. The Plan was amended to reflect the addition of a matching contribution in Integrys common stock for these Local 31 and Local 417 participants based on the respective effective dates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

