

TIMKEN CO  
Form 11-K  
July 01, 2013  
Table of Contents

**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

OR

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

For the transition period from                      to

Commission file number 1-1169

**THE TIMKEN COMPANY EMPLOYEE SAVINGS PLAN**

(Full title of the Plan)

**THE TIMKEN COMPANY, 1835 Dueber Avenue, S.W., Canton, Ohio 44706**

(Name of issuer of the securities held pursuant to the Plan

and the address of its principal executive office)

**Table of Contents**

**The Timken Company Employee Savings Plan**  
**Unaudited Financial Statements and Supplemental Schedule**  
**December 31, 2012 and 2011, and**  
**Year Ended December 31, 2012**

**Table of Contents**

<b>Unaudited Financial Statements</b>	
<u>Statements of Net Assets Available for Benefits</u>	1
<u>Statement of Changes in Net Assets Available for Benefits</u>	2
<u>Notes to Financial Statements</u>	3
<b>Supplemental Schedule</b>	
<u>Schedule H, Line 4i - Schedule of Assets (Held at End of Year)</u>	27

**Table of Contents****The Timken Company Employee Savings Plan****Statements of Net Assets Available for Benefits****(Unaudited)**

	December 31,	
	2012	2011
<b>Assets</b>		
Investments, at fair value:		
Interest in The Master Trust Agreement for The Timken Company Defined Contribution Plans	<b>\$ 1,203,335</b>	\$ 997,379
Receivables:		
Contributions receivable from The Timken Company	<b>14,302</b>	18,990
Participant notes receivable	<b>41,639</b>	27,767
	<b>55,941</b>	46,757
Total assets reflecting investments at fair value	<b>1,259,276</b>	1,044,136
Adjustment from fair value to contract value for interest in The Master Trust Agreement for The Timken Company Defined Contribution Plans relating to fully benefit-responsive investment contracts	<b>(5,209)</b>	(1,110)
Net assets available for benefits	<b>\$ 1,254,067</b>	\$ 1,043,026

*See accompanying notes.*

**Table of Contents**

**The Timken Company Employee Savings Plan**  
**Statement of Changes in Net Assets Available for Benefits**  
**Year Ended December 31, 2012**  
**(Unaudited)**

<b>Additions</b>	
Investment income:	
Net investment gain from The Master Trust Agreement for The Timken Company Defined Contribution Plans	<b>\$ 114,678</b>
Interest income from participant notes	<b>1,314</b>
<b>Contributions:</b>	
Participants	<b>84,532</b>
The Timken Company	<b>98,569</b>
	<b>183,101</b>
<b>Total additions</b>	<b>299,093</b>
<b>Deductions</b>	
Benefits paid directly to participants	<b>85,650</b>
Administrative expenses	<b>2,402</b>
<b>Total deductions</b>	<b>88,052</b>
Net increase	<b>211,041</b>
<b>Net assets available for benefits:</b>	
Beginning of year	<b>1,043,026</b>
End of year	<b>\$ 1,254,067</b>

*See accompanying notes.*

**Table of Contents**

**The Timken Company Employee Savings Plan**

**Notes to Financial Statements**

**December 31, 2012 and 2011, and**

**Year Ended December 31, 2012**

**1. Description of Plan**

The following description of The Timken Company Employee 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.

**General**

The Plan is a defined contribution plan covering full-time employees of Timken Industrial Services, LLC, excluding employees of Reliability Services, (collectively, the Company). The Timken Company (Timken) is the Plan Administrator. Employees of Timken Industrial Services, LLC become eligible to participate in the Plan the first of the month following or coincident with the completion of one full calendar month of full-time service. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

**Plan Merger**

Effective December 31, 2010, the assets and liabilities of the Plan attributable to current and former employees of RBS were transferred to and merged into The Timken Company Savings and Investment Pension Plan.

**Contributions**

Under the provisions of the Plan, participants may elect to contribute up to 15% of their gross earnings directly to the Plan subject to Internal Revenue Service (IRS) limitations. Effective April 1, 2012, the maximum deferral percentage was increased to 20%. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans.

The Company matches employee contributions, Matching Contributions, at an amount equal to 25% of the first 7% of the participant's gross earnings. Effective April 1, 2012, the match was enhanced to provide a 100% match on the first 3% of earnings the participant defers to the plan plus a 50% match on the next 3% of earnings the participant defers. No match is provided for the portion of the participant's deferral that exceeds 6% of earnings. All matching contributions are made to the Timken ESOP stock fund.

**Table of Contents**

**The Timken Company Employee Savings Plan**

**Notes to Financial Statements (continued)**

**December 31, 2012 and 2011, and**

**Year Ended December 31, 2012**

**1. Description of Plan (continued)**

The Plan provides for a quarterly 401(k) Plus Contribution by the Company for eligible employees. This contribution is based on the participant's full years of service at amounts ranging from 2.5% to 8.0%. Effective April 1, 2012, the Company will provide a Core DC contribution based on the participant's age plus years of service as of the end of the prior plan year. The Core DC contribution ranges from 1.0% to 4.5%.

Upon enrollment, a participant must direct his or her contribution in 1% increments to any of the Plan's fund options. If a participant fails to make a deferral election, he/she will be automatically enrolled in the Plan at a 3% deferral rate. Effective April 15, 2010, any employee hired prior to 2007 who had not enrolled as a participant in the Plan as of February 22, 2010; and any employee hired after 2006 who, prior to February 22, 2010, had elected not to participate in the Plan, were automatically enrolled in the Plan at a 3% deferral rate. If the participant makes no further changes to his/her deferral rate, then each year following the year in which the participant was automatically enrolled in the Plan the participant's deferral rate will be increased by 1% until a deferral rate of 6% has been attained. Core DC contributions and 401(k) Plus contributions are invested based on the participant's investment election. If a participant fails to make investment elections, his/her deferrals will default to an appropriate Vanguard Target Retirement Fund, based on the participant's age. Participants are not allowed to diversify the investment of the Matching Contribution until (i) attaining age 55, (ii) the third anniversary of the date on which such participant is hired, (iii) the date such participant obtains 3 years of Continuous Service, or (iv) following retirement.

Participants have access to their account information and the ability to make account transfers and contribution changes daily through an automated telecommunications system and through the Internet.

Participants may elect to have their vested dividends in The Timken Company ESOP Stock Fund distributed to them in cash rather than automatically reinvested in Timken common shares.

**Table of Contents**

**The Timken Company Employee Savings Plan**

**Notes to Financial Statements (continued)**

**December 31, 2012 and 2011, and**

**Year Ended December 31, 2012**

**1. Description of Plan (continued)**

**Participant Accounts**

Each participant's account is credited with the participant's contributions and allocations of (a) the Company's contributions and (b) plan earnings, and is charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as defined. Forfeited balances of terminated participants' nonvested accounts are used to reduce future Company contributions. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

**Vesting**

Participants are immediately vested in their contributions and Matching Contributions plus actual earnings thereon. Participants vest in the Core DC contributions and the 401(k) Plus Contributions after the completion of three years of service.

**Forfeitures**

Under the provisions of the Plan, if a participant leaves the Company before becoming fully vested in the Company contributions, the portion of assets not vested will be forfeited. Forfeitures of any Company Matching Contributions will be used to reduce future Company contributions. Forfeitures balances as of December 31, 2012 and 2011 were approximately \$18,000 and \$31,900, respectively.

**Table of Contents**

**The Timken Company Employee Savings Plan**

**Notes to Financial Statements (continued)**

**December 31, 2012 and 2011, and**

**Year Ended December 31, 2012**

**1. Description of Plan (continued)**

**Participant Notes Receivable**

Participants may borrow from their accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance. Loan terms generally cannot exceed five years, except loans made for purchasing a primary residence which cannot exceed 30 years.

The loans are secured by the balance in the participant's vested account and bear interest at an interest rate of one percent in excess of the prime rate, as published the first business day of each month in the *Wall Street Journal*. Principal and interest are paid ratably through payroll deductions.

**Payment of Benefits**

On termination of service, a participant may receive a lump-sum amount equal to the vested balance of their account, or elect to receive installment payments over a period of time not to exceed their life expectancy. If a participant's vested account balance is greater than \$1,000, they may leave their vested assets in the Plan until age 70<sup>1/2</sup>.

Hardship withdrawals are allowed for participants incurring an immediate and severe financial need, as defined by the Plan. Hardship withdrawals are strictly regulated by the IRS and a participant must exhaust all available loan options and distributions prior to requesting a hardship withdrawal.

**Plan Termination**

Although it has not expressed any interest to do so, the Company 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, the Plan's trustee, JP Morgan (Trustee), shall distribute to each participant the vested balance in their separate account.



**Table of Contents**

**The Timken Company Employee Savings Plan**

**Notes to Financial Statements (continued)**

**December 31, 2012 and 2011, and**

**Year Ended December 31, 2012**

**2. Accounting Policies**

**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting.

**Participant Notes Receivable**

Participant notes receivable represents participant loans that are recorded at their unpaid principal balance plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded when it is earned. 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, 2012 or 2011. If a participant ceases to make loan repayments and the Plan Administrator deems the participant loan to be a distribution, the participant loan balance is reduced and a benefit payment is recorded.

**Investment Valuation and Income Recognition**

The Plan's investments are stated at fair value and are invested in the Master Trust Agreement for the Company Defined Contribution Plans (Master Trust), which was established for the investment of assets of the Plan and the five other defined contribution plans sponsored by the Company. The fair value of the Plan's interest in the Master Trust is based on the value of the Plan's interest in the fund plus actual contributions and allocated investment income (loss) less actual distributions.

The Trustee maintains a collective investment trust of Timken common shares in which the Company's defined contribution plans participate on a unit basis. Timken common shares are traded on a national securities exchange and participation units in The Timken Company Common Stock Fund are valued at the last reported sales price on the last business day of the plan year.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

**Table of Contents**

**The Timken Company Employee Savings Plan**

**Notes to Financial Statements (continued)**

**December 31, 2012 and 2011, and**

**Year Ended December 31, 2012**

**2. Accounting Policies (continued)**

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**New Accounting Pronouncements**

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-04, Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRS. ASU 2011-04 amended Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, to converge the fair value measurement guidance in U.S. GAAP and International Financial Reporting Standards (IFRS). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures although certain of these new disclosures will not be required for nonpublic entities. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Since ASU 2011-04 only clarifies existing fair value measurements and affects fair value measurement disclosures, adoption of ASU 2011-04 did not have an effect on the Plan's net assets available for benefits or its changes in net assets available for benefits.

**Table of Contents**

**The Timken Company Employee Savings Plan**

**Notes to Financial Statements (continued)**

**December 31, 2012 and 2011, and**

**Year Ended December 31, 2012**

**3. Investments**

The Plan's assets are held in The Timken Company Master Trust (Master Trust), commingled with assets of other Company-sponsored benefit plans.

Each participating plan's interest in the investment funds (i.e., separate accounts) of the Master Trust is based on account balances of the participants and their elected investment funds. The Master Trust assets are allocated among the participating plans by assigning to each plan those transactions (primarily contributions, benefit payments, and plan-specific expenses) that can be specifically identified and by allocating among all plans, in proportion to the fair value of the assets assigned to each plan, income and expenses resulting from the collective investment of the assets of the Master Trust. The Plan's ownership percentage in the Master Trust as of December 31, 2012 and 2011 was 0.09%.

**Table of Contents****The Timken Company Employee Savings Plan****Notes to Financial Statements (continued)****December 31, 2012 and 2011, and****Year Ended December 31, 2012****3. Investments (continued)**

The following tables present the fair values of investments in the Master Trust and the Plan's ownership percentage in each investment fund of the Master Trust:

	December 31, 2012								Plan's Ownership Percentage	
	Cash and Cash Equivalents	Company Stock	Registered Investment Companies	Common Collective	Government and Agency Securities	Mortgage and Asset Backed Securities	Corporate Bonds	Wrap Contracts		Total Assets
<b>Investment, at Fair Value</b>										
<b>The Timken Company Common Stock Fund</b>	\$ 1,576,982	\$ 319,117,974	\$	\$	\$	\$	\$	\$	\$ 320,694,956	0.05%
<b>Morgan Stanley Small Company Growth</b>			14,814,070						14,814,070	0.00%
<b>American Funds EuroPacific Growth</b>			89,314,155						89,314,155	0.04%
<b>American Funds Washington Mutual Investors</b>			22,783,272						22,783,272	0.05%
<b>American Beacon Small Cap Value</b>			22,868,397						22,868,397	0.01%
<b>Vanguard Target Retirement Income</b>			23,368,634						23,368,634	0.00%
<b>Vanguard Target Retirement 2015</b>			70,820,300						70,820,300	0.17%
<b>Vanguard Target Retirement 2025</b>			38,937,796						38,937,796	0.37%
<b>Vanguard Target Retirement 2035</b>			35,355,304						35,355,304	0.11%
<b>Vanguard Target Retirement 2045</b>			16,125,154						16,125,154	0.64%
<b>Vanguard Target</b>			6,806,720						6,806,720	0.00%

Edgar Filing: TIMKEN CO - Form 11-K

Retirement 2020 Vanguard Target							
Retirement 2030 Vanguard Target	2,645,284				2,645,284	0.00%	
Retirement 2040 Vanguard Target	1,665,490				1,665,490	0.09%	
Retirement 2050 JPMorgan S&P 500 Index	800,347				800,347	0.00%	
The Timken Company JPM Bond Fund		32,466,044			32,466,044	0.00%	
JPMorgan Equity Index		8,055,932	34,150,439	68,750,278	24,012,101	134,968,750	0.06%
		140,491,194					