

TIMKEN CO
Form 11-K
June 26, 2017
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 11-K

ý ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016

OR
o 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 SAVINGS AND INVESTMENT PENSION PLAN
(Full title of the Plan)

THE TIMKEN COMPANY, 4500 Mt. Pleasant St., NW,
North Canton, OH 44720-5450
(Name of issuer of the securities held pursuant to the Plan and the address of its principal executive office)

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The Timken Company Savings and Investment Pension Plan
Financial Statements and Supplemental Schedules
December 31, 2016 and 2015 and
Year Ended December 31, 2016

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Report of Independent Registered Public Accounting Firm

The Timken Company, Administrator of
The Timken Company Savings and
Investment Pension Plan
North Canton, Ohio

We have audited the accompanying Statements of Net Assets Available for Benefits of The Timken Company Savings and Investment Pension Plan (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. The Plan's management is responsible for the financial statements. 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 audits 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 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.

As discussed in Note 2 to the financial statements, the Plan has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update 2015-07, Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent) and Accounting Standards Update 2015-12, Plan Accounting (Part I) Fully Benefit-Responsive Investment Contracts and (Part II) Plan Investment Disclosures - consensus of the Emerging Issues Task Force. Our opinion is not modified with respect to that matter.

The supplemental information in the accompanying Schedule of Delinquent Participant Contributions for the year ended December 31, 2016 and Schedule of Assets (Held at End of Year) as of December 31, 2016 have been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental information is presented for the purpose of additional analysis and is not a required part of the financial statements but includes supplemental information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental information is the responsibility of management. Our audit procedures include determining whether the supplemental information 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 information.

In forming our opinion on the supplemental information in the accompanying schedules, we evaluated whether the supplemental information, including its form and content, is 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 information in the accompanying schedules is fairly stated in all material respects in relation to the financial statements as a whole.

BOBER, MARKEY, FEDOROVICH & COMPANY

Akron, Ohio

June 26, 2017

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The Timken Company

Savings and Investment Pension Plan

Statements of Net Assets Available for Benefits

	December 31,	
	2016	2015
Assets		
Investments, at fair value:		
Interest in The Master Trust Agreement for The Timken Company Defined Contribution Plans	\$ 939,126,798	\$ 895,924,713
Receivables:		
Contributions receivable from participants	1,576,941	1,335,284
Contributions receivable from The Timken Company	2,311,914	2,317,214
Notes receivable from participants	20,157,188	22,149,008
	24,046,043	25,801,506
Net assets available for benefits	\$ 963,172,841	\$ 921,726,219

See accompanying Notes to Financial Statements.

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The Timken Company
Savings and Investment Pension Plan

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 2016

Additions

Investment income:

Net appreciation from The Master Trust Agreement for The Timken Company	\$99,783,807
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Defined Contribution Plans

Interest income on notes receivable from participants	917,177
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Participant rollovers	1,709,290
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Contributions:

Participants	25,896,141
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The Timken Company	20,069,869
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	45,966,010
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Total additions	148,376,284
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Deductions

Benefits paid directly to participants	106,056,338
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Administrative expenses	873,324
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Total deductions	106,929,662
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Net increase	41,446,622
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Net assets available for benefits:

Beginning of year	921,726,219
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End of year	\$963,172,841
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See accompanying Notes to Financial Statements.

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The Timken Company Savings and Investment Pension Plan

Notes to Financial Statements

December 31, 2016 and 2015 and

Year Ending December 31, 2016

1. Description of the Plan

The following description of the Plan provides only general information. Participants should refer to the Summary Plan Description (posted on MyTotalRewards Portal) for a more complete description of the Plan's provisions. Copies of the Summary Plan Description are available from the Plan Administrator, The Timken Company (the Company).

General

Participation in this Plan shall be available to full-time salaried Employees of The Timken Company; The Timken Corporation; Interlube USA, Inc.; Timken Motor & Crane Services LLC; Timken Gears & Services Inc.; Timken Drives, LLC; MPB Corporation; Bearing Inspection, Inc.; Timken Industrial Services, LLC; Timken Aerospace Transmissions, LLC; and Timken NCT LLC,; non-bargaining hourly employees of The Timken Company at its facilities in Gaffney, Honea Path, and Tyger River, South Carolina; Pulaski and Mascot, Tennessee; Lincolnton and Rutherfordton, North Carolina; Carlyle, Illinois; Ogden, Utah; Lenexa, Kansas; Carolina Service Center, South Carolina; and Bucyrus, Ohio, and in the TIMKEN Housed Units business and non-bargaining hourly employees of Interlube USA, Inc.; Timken Gears & Services Inc.; Timken Drives, LLC; MPB Corporation; Bearing Inspection, Inc.; Timken Motor & Crane Services LLC; Timken Aerospace Transmissions, LLC; and Timken NCT LLC. Employees of these entities become eligible to participate in the Plan the first of the month following 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).

Contributions

Under the provisions of the Plan, participants may elect to contribute between 1% and 75% of their gross earnings directly to the Plan, depending on their monthly wages and subject to Internal Revenue Service (IRS) limitations. The Company matches such employee contributions, "Matching Contributions," at an amount equal to 100% of the first 3% of the participant's gross earnings deferred to the Plan, and 50% of the next 3% of gross earnings deferred to the Plan. Participants may also roll over amounts representing distributions from other qualified defined benefit or defined contribution plans. Matching Contributions are allocated based on the participant's investment election.

The Plan provides for a quarterly "Core Contribution" by the Company for all plan participants except employees of (1) Timken Drives LLC, Timken Housed Units and Timken Motor & Crane Services LLC, (2) those accruing service under a defined benefit pension plan sponsored by the Company, and (3) those receiving a 401(k) Plus Contribution. This contribution is based on the participant's full years of service and age as of December 31 of the previous calendar year. Core Contribution amounts range from 1.0% to 4.5% of the participant's eligible compensation.

The plan provides for a quarterly "401(k) Plus contribution" by the Company for employees at the Company's facilities in Altavista, Virginia; Asheboro, North Carolina; and the Indiana Services Center, who were hired prior to January 1, 2004, and as of December 31, 2003, had less than 5 years of Continuous Service or less than 50 points (age plus years of Continuous Service) or had 5 years of Continuous Service or 50 points (age plus years of Continuous Service) but do not accrue benefit service under a Company sponsored defined benefit pension plan. This contribution is based on the participant's full years of service at amounts ranging from 2.5% to 8.0% of the participant's eligible compensation.

The Plan provides for a quarterly "Timken Drives 401(k) Plus Contribution" by the Company for employees of Timken Drives, LLC. This contribution is based on the participant's full years of service in amounts of 1.0% (for those with 25-29 years of services) or 2.0% (for those with 30 or more years of service) of the participant's eligible compensation.

Effective January 1, 2007 (or January 1, 2011 for QM Bearing eligible employees), newly eligible employees are 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.

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The Timken Company Savings and Investment Pension Plan

Notes to Financial Statements (continued)

Effective July 1, 2015, participants are not restricted from diversifying the Matching Contributions made in the Timken Company Common Stock Fund. Effective January 1, 2016, participants may direct no more than 20% of their future contributions in the Timken Company Common Stock Fund. Core Contributions, 401(k) Plus Contributions and Timken Drives 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 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 Common Stock Fund distributed to them in cash rather than automatically reinvested in common shares of the Company.

Delinquent Participant Contributions

During 2015 and 2014, the Company failed to transmit certain participant contributions to the Plan in the amount of \$62 and \$87,385, respectively, within the time period prescribed by ERISA. Late transmissions of participant contributions constitute a prohibited transaction under ERISA section 406, regardless of materiality. The Company transmitted the 2015 delinquent participant contributions to the Plan in 2016 and reimbursed the Plan for lost earnings in the amount of \$2 during 2016. The Company transmitted the 2014 delinquent participant contributions to the Plan in 2014 and 2015 and reimbursed the Plan for lost earnings in the amount of \$1,812 during 2015. The excise taxes related to the corrections made in 2016 will be paid in 2017. The excise taxes related to the corrections made in 2015 were paid by the Company in 2015 and 2016.

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 administrative expenses, as appropriate. Plan earnings are allocated based on the participant's share of net earnings or losses of their respective elected investment options. Allocations of investment management fees and expenses are based on participant's account balances, as defined. Allocation of participant account maintenance fees are charged per participant account. Forfeited balances of terminated participants' unvested 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. Certain employer contributions are immediately vested plus actual earnings thereon. Participants vest in 401(k) Plus Contributions and Timken Drives 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 with less than three years of Continuous Service, all 401(k) Plus Contributions and Timken Drives 401(k) Plus Contributions and any earnings on those contributions are forfeited and used to fund other Company contributions for eligible associates. Forfeitures balances as of December 31, 2016 and 2015 were approximately \$77,290 and \$63,900, respectively.

Notes Receivable from Participants

Participants may borrow from their accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 minus participants highest outstanding loan balance during the past 12 months or 50% of their vested account balance, excluding after-tax contributions to the Plan (other than Timken US After-Tax Contribution Accounts) and earnings

on after-tax contributions, if any. Loan terms generally cannot exceed five years for general purpose loans, and 30 years for residential loans. The loans bear interest at an interest rate of 1% 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. Effective January 1, 2016, new loans are limited to active employees and beneficiaries who make arrangements for repayment of the loan directly with the Trustee.

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The Timken Company Savings and Investment Pension Plan

Notes to Financial Statements (continued)

Payment of Benefits

Upon termination of service with the Company, participants having a vested account balance greater than \$1,000 are given the option of (i) transferring their account balance to another plan, (ii) receiving a lump-sum amount equal to the vested balance of their account, (iii) receiving installment payments of their vested assets over a period of time not to exceed their life expectancy, or (iv) leaving their vested account balance in the Plan (if vested account balance was greater than \$5,000). Participants having a vested account balance less than \$1,000 receive a lump-sum amount equal to their vested account balance. Participants with a vested account balance between \$1,000 and \$5,000 and who did not elect a distribution, are paid in a direct rollover to an individual retirement plan. Participants electing to leave their vested assets in the Plan may do so until age 70-1/2 after which time the lump-sum or installment distribution options would apply.

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.

Transfers between Plans

Certain participants who change job positions within the Company and, as a result, are covered under a different defined contribution plan offered by the Company may be eligible to transfer his or her account balance between plans.

Administrative Expenses

The Plan's administrative expenses are paid by either the Plan or the Company, as provided by the Plan's provisions. Administrative expenses paid by the Plan include recordkeeping and trustee fees. Expenses relating to purchases, sales or transfers of the Plan's investments are charged to the particular investment fund to which the expenses relate. All other administrative expenses of the Plan are paid by the Company. Expenses that are paid by the Company are excluded from these financial statements.

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, Great-West Trust Company, LLC (Trustee), shall distribute to each participant the vested balance in their separate account.

2. Accounting Policies

Basis of Accounting

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

Payment of Benefits

Benefits are recorded when paid.

Notes Receivable from Participants

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, 2016 or 2015. 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 Timken Company Defined Contribution Plans (Master Trust), which was established for the investment of assets of the Plan and the two other defined contribution plans sponsored by the Company.

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The Timken Company Savings and Investment Pension Plan

Notes to Financial Statements (continued)

The Plan's trustee maintains a collective investment trust of common shares of The Timken Company 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.

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 and supplemental schedules. Actual results could differ from those estimates.

New Accounting Pronouncements

In February 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-06, Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): Employee Benefit Plan Master Trust Reporting. For each master trust in which a plan holds an interest, ASU 2017-06 requires that a plan's interest in each master trust and any change in the interest in each master trust be presented in separate line items in the statement of net assets available for benefits and in the statement of changes in net assets available for benefits. ASU 2017-06 also removes the requirement to disclose the percentage interest in the master trust for plans with divided interests and requires that all plans disclose the dollar amount of their interest in each of those general types of investments, which supplements the existing requirement to disclose the master trusts balances in each general type of investments. In addition, ASU 2017-06 requires all plans to disclose (1) their master trust's other asset and liability balances and (2) the dollar amount of the plan's interest in each of those balances. Finally, ASU 2017-06 removes the requirement that the investment disclosures relating to the 401 (h) account assets be provided in the health and welfare benefit plan's financial statements. ASU 2017-06 is effective for fiscal years beginning after December 15, 2018, with retrospective application to all periods presented. Early application is permitted. Management is currently evaluating the effect that the provisions of ASU 2017-06 will have on the Plan's financial statements.

In July 2015, the FASB issued ASU 2015-12, Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): (Part I) Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosures, (Part III) Measurement Date Practical Expedient. Part I of the ASU eliminates the requirements to measure the fair value of fully benefit-responsive investment contracts and provide certain disclosures. Contract value is the only required measure for fully benefit-responsive investment contracts. Part II of the ASU eliminates the requirements to disclose individual investments that represent 5 percent or more of net assets available for benefits and the net appreciation or depreciation in fair value of investments by general type. It also simplifies the level of disaggregation of investments that are measured using fair value. Plans will continue to disaggregate investments that are measured using fair value by general type; however, plans are no longer required to also disaggregate investments by nature, characteristics and risks. Further, the disclosure of information about fair value measurements shall be provided by general type of plan asset. Part III of the ASU allows a plan with a fiscal year end that doesn't coincide with the end of a calendar month to measure its investments and investment-related accounts using the month end closest to its fiscal year end. The ASU became effective for fiscal years beginning after December 15, 2015. Parts I and II are to be applied retrospectively. Part III is to be applied prospectively. The Plan adopted the provisions of Part I and Part II of ASU 2015-12 for the year ended December 31, 2016 and applied the new guidance retrospectively to the year ended December 31, 2015. Part III is not applicable to the Plan.

In May 2015, the FASB issued ASU 2015-07, Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy investments for which fair values are estimated using the net asset value practical expedient provided by Accounting Standards Codification 820, Fair Value Measurement. Disclosures about investments in certain entities that calculate net asset value per share are limited under ASU 2015-07 to those investments for which the entity has elected to estimate the fair value using the net asset value practical expedient. ASU 2015-07 became effective for entities (other than public business entities) for fiscal years beginning after December 15, 2015, with retrospective application to all periods presented. The Plan adopted the provisions of ASU 2015-07 for the year ended December 31, 2016 and applied the new guidance retrospectively to the year ended December 31, 2015. See Note 4 for the revised disclosures.

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The Timken Company Savings and Investment Pension Plan

Notes to Financial Statements (continued)

Subsequent Events

Management evaluates subsequent events and transactions occurring subsequent to the date of the financial statements that affect recognition or disclosure to the financial statements.

Effective January 3, 2017, the Plan was amended to eliminate the TimkenSteel Common Stock Fund. Participants were asked to transfer their balance in the TimkenSteel Common Stock Fund to another investment election by January 3, 2017. Any balances not transferred by January 3, 2017 were liquidated between January 3, 2017 and January 23, 2017 and reinvested in an appropriate Vangaurd Target Retirement Fund, based on the participant's age.

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The Timken Company Savings and Investment Pension Plan

Notes to Financial Statements (continued)

3. Investments

The Plan's assets are held in the 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, 2016 and 2015 was 97.27% and 97.27%, respectively.

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

	December 31, 2016		Registered Common		Total Assets	Plan's Ownership Percentage	
	Cash and Cash Equivalents	Company Stock Funds	Investment Companies	Collective Funds			
Investment, at Fair Value:							
The Timken Company Common Stock Fund	\$1,057,112	\$123,162,985	\$ —	—\$124,220,097	98.03	%	
TimkenSteel Common Stock Fund	16,138	12,597,155	—	—12,613,293	97.82	%	
American Funds EuroPacific Growth	—	—	85,739,132	—85,739,132	99.31	%	
American Funds Washington Mutual Investors	—	—	31,262,108	—31,262,108	98.72	%	
American Beacon Small Cap Value	—	—	19,765,112	—19,765,112	98.09	%	
Eagle Small Cap Growth	—	—	12,892,486	—12,892,486			