

TIMKEN CO
Form 11-K
June 30, 2014

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, 2013

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 VOLUNTARY INVESTMENT PENSION PLAN FOR HOURLY EMPLOYEES OF THE TIMKEN
COMPANY
(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)

Table of Contents

Voluntary Investment Pension Plan for
Hourly Employees of The Timken Company

Financial Statements and Supplemental Schedule
December 31, 2013 and 2012 and
December 31, 2013

Table of Contents

<u>Report of Independent Registered Public Accounting Firm</u>	<u>1</u>
Financial Statements	
<u>Statements of Net Assets Available for Benefits</u>	<u>2</u>
<u>Statement of Changes in Net Assets Available for Benefits</u>	<u>3</u>
<u>Notes to Financial Statements</u>	<u>4</u>
Supplemental Schedule	
<u>Schedule H, Line 4i - Schedule of Assets (Held at End of Year)</u>	<u>17</u>

Exhibit 23 - Consent of Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm

The Timken Company, Administrator of the
Voluntary Investment Pension Plan for
Hourly Employees of The Timken Company

We have audited the accompanying statements of net assets available for benefits of the Voluntary Investment Pension Plan for Hourly Employees of The Timken Company as of December 31, 2013 and 2012, and the related statement of changes in net assets available for benefits for the year ended December 31, 2013. 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. We were not engaged to perform an audit of the Plan's 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, and 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 Voluntary Investment Pension Plan for Hourly Employees of The Timken Company at December 31, 2013 and 2012, and the changes in its net assets available for benefits for the year ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules of delinquent participant contributions and assets (held at end of year) as of December 31, 2013, are presented for purposes 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. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP
Cleveland, Ohio
Date: June 30, 2014

Table of ContentsVoluntary Investment Pension Plan for
Hourly Employees of The Timken Company

Statements of Net Assets Available for Benefits

	December 31, 2013	2012
Assets		
Investments, at fair value:		
Interest in The Master Trust Agreement for The Timken Company Defined Contribution Plans	\$ 154,333,295	\$ 136,875,041
Receivables:		
Contributions receivable from participants	320,907	208,969
Participant notes receivable	4,313,457	4,318,352
	4,634,364	4,527,321
Total Assets reflecting investments at fair value	158,967,659	141,402,362
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	(7,129) (467,690
Net Assets available for benefits	\$ 158,960,530	\$ 140,934,672

See accompanying notes.

Table of ContentsVoluntary Investment Pension Plan for
Hourly Employees of The Timken Company

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 2013

Additions

Investment Income:

Net investment gain from The Master Trust Agreement for The Timken Company Defined
Contribution Plans \$25,390,444

Interest income from participant notes 183,320

Participant rollovers 178,413

Contributions:

Participants 5,446,430

Total additions 31,198,607

Deductions

Benefits paid directly to participants 13,133,016

Administrative expenses 13,500

Total deductions 13,146,516

Net increase prior to transfers 18,052,091

Transfers out (26,233)

Net increase 18,025,858

Net assets available for benefits:

Beginning of year 140,934,672

End of year \$158,960,530

See accompanying notes.

Voluntary Investment Pension Plan for
Hourly Employees of the Timken Company
Notes to Financial Statements
December 31, 2013 and 2012 and
Year Ending December 31, 2013

1. Description of the Plan

The following description of the Voluntary Investment Pension Plan for Hourly Employees of The Timken Company (the Plan)

provides only general information. Participants should refer to the 2012 401(k) Agreement Between The Timken Company and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (the 401(k) Agreement), for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan covering all employees of The Timken Company (the Company and Plan Administrator) who are represented by the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union. Employees of the Company become eligible to participate in the Plan beginning the first month following completion of a 120 working day probationary period, provided that health care benefits have become effective. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

Effective January 1, 2010, each year, participants may contribute any whole percentage of their gross earnings, as defined in the Plan, subject to Internal Revenue Service (IRS) limitations. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. Upon enrollment, a participant must direct their contribution in 1% increments to any of the Plan's fund options. Participants have access to their account information and the ability to make account transfers and contribution changes daily through an automated telecommunication system and through the Internet.

The Company made a one-time cash contribution of \$2,000 for each active employee as of February 21, 2012 who was a new hire, as defined in the 2012 Pension Agreement between The Timken Company and United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union.

Participant Accounts

Each participant's account is credited with the participant's contributions and allocations of plan earnings, and is charged administrative expenses, as appropriate. Allocations are based on 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.

Vesting

Participants vest immediately in all contributions plus actual earnings thereon.

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 account balance. Loan terms generally cannot exceed four years. The loans are secured by the balance in the participant's account and 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.

Payment of Benefits

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

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.

Table of Contents

Voluntary Investment Pension Plan for
Hourly Employees of The Timken Company
Notes to Financial Statements (continued)

Plan Termination

The Plan shall continue in full force and effect until January 1, 2018, and for yearly periods thereafter unless either the Company or the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union shall notify the other party in writing within 60 days before the termination date of the 401(k) Agreement that they desire to terminate the agreement.

The Plan may generally be amended by mutual consent of the Company and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union. In the event of Plan termination, the Plan's trustee, JP Morgan (Trustee) shall distribute to each participant the amount standing to their credit in their separate account. Participants may elect to have dividends in The Timken Company Common Stock Fund distributed to them in cash rather than automatically reinvested in Timken common shares.

2. Accounting Policies

Basis of Accounting

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

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 four other defined contribution plans sponsored by the Company.

The 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. Common shares of the Timken Company 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.

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, 2013 or 2012. 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.

Use of Estimates

The preparation of financial statements in conformity with US 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.

Table of Contents

Voluntary Investment Pension Plan for
Hourly Employees of The Timken Company
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, 2013 and 2012 was 10.67% and 10.66%, respectively.

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

	December 31, 2013								
	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
Investment, at Fair Value: The Timken Company Common Stock Fund	\$2,272,411	\$311,718,611	\$—	\$—	\$—	\$—	\$—	\$—	\$313,991,022
Morgan Stanley Small Company Growth American Funds	—	—	26,341,600	—	—	—	—	—	26,341,600
EuroPacific Growth American Funds	—	—	122,203,443	—	—	—	—	—	122,203,443
Washington Mutual Investors American Beacon Small Cap Value Vanguard Target Retirement	—	—	37,090,782	—	—	—	—	—	37,090,782
	—	—	32,171,620	—	—	—	—	—	32,171,620
	—	—	25,366,044	—	—	—	—	—	25,366,044

Edgar Filing: TIMKEN CO - Form 11-K

Income									
Vanguard									
Target									
Retirement	—	—	74,178,696	—	—	—	—	—	74,178,696
2015									
Vanguard									
Target									
Retirement	—	—	49,463,045	—	—	—	—	—	49,463,045
2025									
Vanguard									
Target									
Retirement	—	—	42,757,483	—	—	—	—	—	42,757,483
2035									
Vanguard									
Target									
Retirement	—	—	20,055,670	—	—	—	—	—	20,055,670
2045									
Vanguard									
Target									
Retirement	—	—	14,424,622	—	—	—	—	—	14,424,622
2020									
Vanguard									
Target									
Retirement	—	—	6,253,997	—	—	—	—	—	6,253,997
2030									
Vanguard									
Target									
Retirement	—	—	2,596,672	—	—	—	—	—	2,596,672
2040									
Vanguard									
Target									
Retirement	—	—	2,152,852	—	—	—	—	—	2,152,852
2050									
JPMorgan									
S&P 500	—	—	—	40,380,646	—	—	—	—	40,380,646
Index									
The Timken									
Company -									
JPM Bond	—	—	—	7,415,239	24,596,335	66,456,847	18,282,643	—	116,750,064
Fund									
JPMorgan									
Equity Index	—	—	—	180,551,056	—	—	—	—	180,551,056
Nuveen									
Winslow									
Large-Cap	—	—	—	80,486,000	—	—	—	—	80,486,000
Growth									
SSgA									
Russell									
2000-A	—	—	—	69,365,489	—	—	—	—	69,365,489
Index									
	\$2,272,411	\$311,718,611	\$455,056,526	\$378,198,430	\$24,596,335	\$66,456,847	\$18,282,643	\$—	\$1,220,471,803

JPMorgan Stable Value Fund:									
JPMorgan Liquidity Fund	—	—	—	5,763,603	—	—	—	—	5,763,603
JPMorgan Intermediate Bond Fund	—	—	—	184,514,113	—	—	—	—	184,514,113
Wrapper Value Adjustment from fair value to contract value	—	—	—	—	—	—	—	45,074	45,074
	—	—	—	(51,241)	—	—	—	—	(51,241)
	\$—	\$—	\$—	\$190,226,475	\$—	\$—	\$—	\$45,074	\$190,226,475
Net Assets of Master Trust	\$2,272,411	\$311,718,611	\$455,056,526	\$568,424,905	\$24,596,335	\$66,456,847	\$18,282,643	\$45,074	\$1,400,707,272

Table of Contents

Voluntary Investment Pension Plan for
 Hourly Employees of The Timken Company
 Notes to Financial Statements (continued)

	December 31, 2012								
	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
Investment, at Fair Value: The Timken Company Common Stock Fund	\$1,576,982	\$319,117,974	\$—	\$—	\$—	\$—	\$—	\$—	\$32,000,000
Morgan Stanley Small Company Growth American Funds	—	—	14,814,070	—	—	—	—	—	14,814,070
EuroPacific Growth American Funds	—	—	89,314,155	—	—	—	—	—	89,314,155
Washington Mutual Investors American Beacon Small Cap Value	—	—	22,783,272	—	—	—	—	—	22,783,272
Vanguard Target Retirement Income	—	—	22,868,397	—	—	—	—	—	22,868,397
Vanguard Target Retirement 2015	—	—	23,368,634	—	—	—	—	—	23,368,634
Vanguard Target Retirement 2025	—	—	70,820,300	—	—	—	—	—	70,820,300
Vanguard Target Retirement 2035	—	—	38,937,796	—	—	—	—	—	38,937,796
Vanguard Target Retirement 2035	—	—	35,355,304	—	—	—	—	—	35,355,304

Edgar Filing: TIMKEN CO - Form 11-K

Vanguard Target Retirement 2045	—	—	16,125,154	—	—	—	—	—	16,125,154
Vanguard Target Retirement 2020	—	—	6,806,720	—	—	—	—	—	6,806,720
Vanguard Target Retirement 2030	—	—	2,645,284	—	—	—	—	—	2,645,284
Vanguard Target Retirement 2040	—	—	1,665,490	—	—	—	—	—	1,665,490
Vanguard Target Retirement 2050	—	—	800,347	—	—	—	—	—	800,347
JPMorgan S&P 500 Index	—	—	—	32,466,044	—	—	—	—	32,466,044
The Timken Company - JPM Bond Fund	—	—	—	8,055,932	34,150,439	68,750,278	24,012,101	—	134,958,750
JPMorgan Equity Index	—	—	—	140,491,194	—	—	—	—	140,491,194
Nuveen Winslow Large-Cap Growth	—	—	—	63,736,701	—	—	—	—	63,736,701
SSgA Russell 200-A Index	—	—	—	48,444,488	—	—	—	—	48,444,488
	\$1,576,982	\$319,117,974	\$346,304,923	\$293,194,359	\$34,150,439	\$68,750,278	\$24,012,101	\$—	\$1,046,956,827
JPMorgan Stable Value Fund:									
JPMorgan Liquidity Fund	—	—	—	32,235,856	—	—	—	—	32,235,856
JPMorgan Intermediate Bond Fund	—	—	—	155,036,381	—	—	—	—	155,036,381
JPMorgan Mortgage Private Placement	—	—	—	8,682,881	—	—	—	—	8,682,881

Edgar Filing: TIMKEN CO - Form 11-K

Fund Wrapper Value	—	—	—	—	—	—	—	48,420	48,420
Adjustment from fair value to contract value	—	—	—	(3,346,510)	—	—	—	—	(3,346,510)
	\$—	\$—	\$—	\$192,608,608	\$—	\$—	\$—	\$48,420	\$192,608,608
Net Assets of Master Trust	\$1,576,982	\$319,117,974	\$346,304,923	\$485,802,967	\$34,150,439	\$68,750,278	\$24,012,101	\$48,420	\$1,576,982

7

Table of Contents

Voluntary Investment Pension Plan for
 Hourly Employees of The Timken Company
 Notes to Financial Statements (continued)

Investment gain for the Master Trust is as follows:

	Year Ended December 31, 2013	
Net appreciation (depreciation) in fair value of investments		
Company Stock	\$50,558,388	
Registered Investment Companies	67,374,435	
Common Collective Funds	97,044,046	
Government and Agency Securities	(1,452,287)
Mortgage and Asset Backed Securities	(120,969)
Corporate Bonds	(470,409)
	\$212,933,204	
Net appreciation in investment contracts	3,017,381	
Interest and dividends	19,025,947	
Total Master Trust	\$234,976,532	

4. Fair Value

The fair value framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Table of ContentsVoluntary Investment Pension Plan for
Hourly Employees of The Timken Company
Notes to Financial Statements (continued)

The following tables present the fair value hierarchy for those investments of the Master Trust measured at fair value on a recurring basis as of December 31, 2013 and 2012:

	Assets at Fair Value as of			
	December 31, 2013			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash and Cash Equivalents:				
JPMorgan US Government Money Market	\$2,272,411	\$—	\$2,272,411	\$—
Company Stock:				
The Timken Company Common Stock	311,718,611	311,718,611	—	—
Registered Investment Companies:				
Morgan Stanley Small Company Growth	26,341,600	26,341,600	—	—
American Funds EuroPacific Growth	122,203,443	122,203,443	—	—
American Funds Washington Mutual Investors	37,090,782	37,090,782	—	—
American Beacon Small Cap Value	32,171,620	32,171,620	—	—
Vanguard Target Retirement Income	25,366,044	25,366,044	—	—
Vanguard Target Retirement 2015	74,178,696	74,178,696	—	—
Vanguard Target Retirement 2020	14,424,622	14,424,622	—	—
Vanguard Target Retirement 2025	49,463,045	49,463,045	—	—
Vanguard Target Retirement 2030	6,253,997	6,253,997	—	—
Vanguard Target Retirement 2035	42,757,483	42,757,483	—	—
Vanguard Target Retirement 2040	2,596,672	2,596,672	—	—
Vanguard Target Retirement 2045	20,055,670	20,055,670	—	—
Vanguard Target Retirement 2050	2,152,852	2,152,852	—	—
Common Collective Funds:				
JPMorgan S&P 500 Index	40,380,646	—	40,380,646	—
SSgA Russel 2000-A Index	69,365,489	—	69,365,489	—
JPMorgan Equity Index	180,551,056	—	180,551,056	—
Nuveen Windsor Large-Cap Growth	80,486,000	—	80,486,000	—
The Timken Company-JPM Bond Fund:				
Common Collective Fund:				
JPMorgan Liquidity Fund	7,415,239	—	7,415,239	—
Government and Agency Securities	24,596,335	—	24,596,335	—
Mortgage and Asset Backed Securities	66,456,847	—	66,456,847	—
Corporate Bonds	18,282,643	—	18,282,643	—
JPMorgan Stable Value Fund:				
Common Collective Funds:				
JPMorgan Liquidity Fund	5,763,603	—	5,763,603	—
JPMorgan Intermediate Bond Fund	184,514,113	—	184,514,113	—
Wrapper Value	45,074	—	—	45,074
Total assets	\$1,446,904,593	\$766,775,137	\$680,084,382	\$45,074

Table of ContentsVoluntary Investment Pension Plan for
Hourly Employees of The Timken Company
Notes to Financial Statements (continued)

	Assets at Fair Value as of			
	December 31, 2012			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash and Cash Equivalents:				
JPMorgan US Government Money Market	\$ 1,576,982	\$—	\$ 1,576,982	\$—
Company Stock:				
The Timken Company Common Stock	319,117,974	319,117,974	—	—
Registered Investment Companies:				
Morgan Stanley Small Company Growth	14,814,070	14,814,070	—	—
American Funds EuroPacific Growth	89,314,155	89,314,155	—	—
American Funds Washington Mutual Investors	22,783,272	22,783,272	—	—
American Beacon Small Cap Value	22,868,397	22,868,397	—	—
Vanguard Target Retirement Income	23,368,634	23,368,634	—	—
Vanguard Target Retirement 2015	70,820,300	70,820,300	—	—
Vanguard Target Retirement 2020	6,806,720	6,806,720	—	—
Vanguard Target Retirement 2025	38,937,796			