TIMKEN CO
Form 11-K
June 20, 2018
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, 2017
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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Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements
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, 2017 and 2016, the related Statements of Changes in Net Assets for the years then ended, 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 years then ended, 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.

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 information in the accompanying Schedule of Assets (Held at End of Year) as of December 31, 2017 has been subjected to audit procedures performed in conjunction with the audit of the Plan’s financial statements. The supplemental information is the responsibility of the Plan’s management. Our audit procedures included 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, 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 is fairly stated, in all material respects, in relation to the financial statements as a whole.

We have served as the Plan’s auditor since 2016.

BOBER, MARKEY, FEDOROVICH & COMPANY
Akron, Ohio

June 20, 2018

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The Timken Company
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Statements of Net Assets Available for Benefits

	December 31,	
Assets	2017	2016
Investments, at fair value:		
Interest in The Master Trust Agreement for The Timken Company Defined Contribution Plans	$1,064,129,764	$939,126,798
Receivables:		
Contributions receivable from participants	3,147,443	1,576,941
Contributions receivable from The Timken Company	3,174,868	2,311,914
Notes receivable from participants	18,711,744	20,157,188
Total receivables	25,034,055	24,046,043
Net assets available for benefits	$1,089,163,819	$963,172,841

See accompanying Notes to Financial Statements.

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Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 2017

Additions	
Investment income:	
Net appreciation from The Master Trust Agreement for The Timken Company Defined Contribution Plans	$159,469,916
Interest income on notes receivable from participants	845,162
Participant rollovers	3,433,250
Contributions:	
Participants	27,895,684
The Timken Company	21,596,450
Total contributions	49,492,134
Total additions	213,240,462
Deductions	
Benefits paid directly to participants	112,708,954
Administrative expenses	964,506
Total deductions	113,673,460
Net increase prior to transfers	99,567,002
Transfers in	26,423,976
Net increase	125,990,978
Net assets available for benefits:	
Beginning of year	963,172,841
End of year	$1,089,163,819

See accompanying Notes to Financial Statements.

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The Timken Company Savings and Investment Pension Plan
Notes to Financial Statements

1. Description of the Plan
The following description of The Timken Company Savings and Investment Pension Plan (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 (1) 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 Drive Systems, LLC, Timken NCT LLC; and effective May 5, 2017, PT Tech LLC; (2) 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; Bucyrus, Ohio; and in Timken Housed Units business; and (3) 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 Drive Systems, LLC; Timken NCT LLC; and effective as of May 5, 2017, PT Tech 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, as amended ("ERISA").
Effective as of the close of business on December 31, 2017, The Timken Belts Savings and Investment Retirement Plan was merged into the Plan. As a result of the merger, $26,423,976 of plan assets were transferred from The Timken Belts Savings and Investment Retirement Plan to the Plan.

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. Matching Contributions are allocated based on the participant's investment election. Participants may also roll over amounts representing distributions from other qualified defined benefit or defined contribution plans.

The Plan provides for a quarterly "Core Contribution" by the Company for all plan participants except (1) employees of Timken Drives LLC, the Timken Housed Units business, Timken Interlube USA, Timken Motor & Crane Services LLC, Timken NCT LLC and effective May 5, 2017, PT Tech LLC, (2) those accruing service under a defined benefit pension plan sponsored by the Company, and (3) salaried employees eligible for 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 under service defined benefit pension plan sponsored by the Company. 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 that do not accrue benefit service under a defined benefit pension plan sponsored by the Company. 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.

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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.

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.

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. Forfeiture balances as of December 31, 2017 and 2016 were approximately $140,347 and $77,290, 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 particpants 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 in the Wall Street Journal on the first business day of the month in which the loan is granted. Principal and interest are paid ratably through payroll deductions. Effective January 1, 2016, new loans are limited to active employees.

Payment of Benefits
Upon disability or 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 fixed

period of time not to exceed their estimated 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. Also, certain employees are eligible for distribution upon attainment of age 59-1/2.

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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.

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.

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. Administrative expenses paid by the Plan include advisory, 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.

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.

The Trustee maintains a collective investment trust of common shares of The Timken Company within the Master Trust 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.

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, 2017 or 2016. 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 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.

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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. 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.

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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, 2017 and 2016 was 97.35% 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, 2017						
	Cash and Cash Equivalents	Company Stock Funds	Registered Investment Companies	Common Collective Funds	Total Assets	Plan's Ownership Percentage	
Investment, at Fair Value:							
The Timken Company Common Stock Fund	$1,383,411	$129,614,104	$—	$—	$130,997,515	96.97	%
TimkenSteel Common Stock Fund	1,370	241,671	—	—	243,041	—	%
American Beacon Small Cap Value	—	—	20,015,933	—	20,015,933	98.83	%
American Funds EuroPacific Growth	—	—	110,466,003	—	110,466,003	99.25	%
American Funds Washington Mutual Investors	—	—	37,414,183	—	37,414,183	98.62	%
Eagle Small Cap Value	—	—	15,657,534	—	15,657,534	98.54	%
Putnam Government Money Market	—	—	48,002	—	48,002	100.00	%
Vanguard Target Retirement Income Trust II	—	—	—	13,817,345			