

PACCAR INC
Form 11-K
June 21, 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 000-14817

PACCAR INC SAVINGS INVESTMENT PLAN

(Full title of plan)

PACCAR Inc

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777 106th Avenue, N.E.

Bellevue, Washington 98004

**(Name of issuer of securities held pursuant to the
plan and address of its principal executive office)**

Table of Contents

REQUIRED INFORMATION

A. Financial Statements and Schedules:

Report of Independent Registered Public Accounting Firm

Financial Statements:

Statements of Net Assets Available for Benefits

Statement of Changes in Net Assets Available for Benefits

Notes to Financial Statements

Supplemental Schedules:

Schedule H, Line 4i Schedule of Assets (Held at End of Year)

Schedule H, Line 4j Schedule of Reportable Transactions

B. Exhibits

23 Consent of Independent Registered Public Accounting Firm

Table of Contents

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Date June 20, 2013

PACCAR INC SAVINGS INVESTMENT PLAN

By: /s/ J. K. LeVier
J. K. LeVier
Vice President - Human Resources
PACCAR Inc

Table of Contents

Financial Statements and Supplemental schedules

PACCAR Inc Savings Investment Plan

December 31, 2012 and 2011 and

for the Year Ended December 31, 2012

With Report of Independent Registered Public Accounting Firm

Table of Contents

PACCAR Inc

Savings Investment Plan

Financial Statements and Supplemental Schedules

December 31, 2012 and 2011 and

for the Year Ended December 31, 2012

Contents

<u>Report of Independent Registered Public Accounting Firm</u>	1
Financial Statements	
<u>Statements of Net Assets Available for Benefits</u>	2
<u>Statement of Changes in Net Assets Available for Benefits</u>	3
<u>Notes to Financial Statements</u>	4
Supplemental Schedules	
<u>Schedule H, Line 4i - Schedule of Assets (Held at End of Year)</u>	15
<u>Schedule H, Line 4j - Schedule of Reportable Transactions</u>	16

Table of Contents

Report of Independent Registered Public Accounting Firm

The Administrator

PACCAR Inc Savings Investment Plan

We have audited the accompanying statements of net assets available for benefits of PACCAR Inc Savings Investment Plan (the Plan) as of December 31, 2012 and 2011, and the related statement of changes in net assets available for benefits for the year ended December 31, 2012. 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 Plan at December 31, 2012 and 2011, and the changes in its net assets available for benefits for the year ended December 31, 2012, 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 assets (held at end of year) as of December 31, 2012, and reportable transactions for the year then ended, 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

Seattle, Washington
June 20, 2013

Table of Contents

PACCAR Inc

Savings Investment Plan

Statements of Net Assets Available for Benefits

	December 31	
	2012	2011
Assets		
Investments, at fair value:		
Money market fund	\$ 65,646	\$ 28,416
Commingled trust funds	197,522,763	178,170,946
Mutual funds	432,041,643	377,931,255
PACCAR Inc common stock	809,752,452	696,921,894
Total investments, at fair value	1,439,382,504	1,253,052,511
Notes receivable from participants	31,195,452	31,809,085
Dividends receivable	239,837	13,278,741
Due from broker for securities sold	4,256,650	41,587
Total assets	1,475,074,443	1,298,181,924
Liabilities		
Accrued expenses	29,083	24,443
Net assets reflecting all investments at fair value	1,475,045,360	1,298,157,481
Adjustment from fair value to contract value for investment contracts held by commingled trust funds	(2,928,124)	(2,387,104)
Net assets available for benefits	\$ 1,472,117,236	\$ 1,295,770,377

See accompanying notes.

Table of Contents

PACCAR Inc

Savings Investment Plan

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 2011

Additions to (deductions from) net assets attributed to:

Investment income:	
Dividends and Interest	\$ 29,962,942
Net appreciation of investments	197,674,062
Contributions:	
Company	19,542,695
Participants	37,587,288
Distributions to participants	(108,220,818)
Administrative expenses	(199,310)
Net increase	176,346,859
Net assets available for benefits at beginning of year	1,295,770,377
Net assets available for benefits at end of year	\$ 1,472,117,236

See accompanying notes.

Table of Contents

PACCAR Inc

Savings Investment Plan

Notes to Financial Statements

December 31, 2012

1. Description of the Plan

The PACCAR Inc Savings Investment Plan (the Plan) is a defined contribution plan covering substantially all non-union U.S. employees of PACCAR Inc and its U.S. subsidiaries (collectively, the Company). Covered employees are eligible to participate in the Plan after completion of 30 days of service. Participants are eligible to receive employer contributions after one year of service. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and the Internal Revenue Code (the Code). This description of the Plan provides only general information. Participants should refer to the Plan document for a complete description of the Plan's provisions.

Contributions

Participants may elect to contribute not less than 1% and not more than 35% of their respective annual compensation (as defined in the Plan document) subject to the Code's annual maximum of \$17,000 for 2012. Participant contributions to the Plan are excluded from the participants current taxable earnings in accordance with the Code's Section 401(k). Beginning in 2002, catch-up contributions were made available under the Plan for those participants age 50 and older. The maximum annual catch-up contribution for 2012 was \$5,500.

For eligible participants who were actively employed at December 31, 2012, the Company matched participant contributions (excluding age 50 catch-up deferrals) to the lesser of 5% of the participants' respective annual compensation or their annual salary deferrals. In certain cases, as described in the Plan document, employees who terminated during the year will be eligible to receive matching contributions.

The Company's matching contributions of \$19,542,695 were unallocated at December 31, 2012. The matching contributions are allocated to participant accounts in January each year based on determination of eligibility as described above. The Company matches contributions in the form of PACCAR Inc common stock. The Company's rate of contribution and the frequency and manner in which the Company makes its contribution shall be decided by the Company in its sole discretion with respect to each Plan year.

Participant Accounts

Individual accounts are maintained for all Plan participants that reflect their contributions and related Company matching contributions to the Plan and any earnings or losses on the Plan's investments.

Table of Contents

PACCAR Inc

Savings Investment Plan

Notes to Financial Statements (continued)

1. Description of the Plan (continued)

Vesting

Plan participants are immediately 100% vested in participant and Company matching contributions when made, plus any investment earnings thereon.

Investment Options

Upon enrollment in the Plan, participants may direct their contributions in whole percentage increments to any of the Plan's fund options. Participants may subsequently change their investment options for either existing or future contributions, subject to trading limitations on certain of the Plan's individual fund options.

All participants with three or more years of service have the ability to make an unlimited number of transfers-in or transfers-out, at any time, of some or all of their Company matching contribution balances held in the PACCAR Inc common stock fund into any of the other investment fund options within the Plan.

Notes Receivable from Participants

Actively employed participants may borrow from their individual accounts a minimum of \$1,000, up to the lesser of \$50,000 reduced by the highest outstanding loan balance during the previous 12 months, 50% of the participants' total account balance, or the participants' total account balance excluding Company matching contributions in the PACCAR Inc common stock fund and related earnings. Loan terms range from 1 to 5 years, or up to 15 years for the purchase of a primary residence, and early payoffs can be made without penalty. The loans are secured by the balance in the participant's account and bear interest at a fixed rate equal to the prime rate plus 1%, determined as of the loan date. Interest rates ranged from 4.25% to 10.50% on loans outstanding as of December 31, 2012. Principal and interest are repaid either through after-tax payroll deductions or by personal check sent directly to Fidelity Management Trust Company (the Trustee). Loans outstanding do not affect the amount of annual matching contributions the Company pays to participants' accounts. The number of loans that a participant can take is limited to two new loans per calendar year.

Table of Contents

PACCAR Inc

Savings Investment Plan

Notes to Financial Statements (continued)

1. Description of the Plan (continued)

Benefit Payments

Participants who leave the Company may choose a single cash payment or whole shares of PACCAR Inc common stock included in the participant's account, plus a cash payment for the remaining balance, or have their account balance remain in the Plan until reaching age 70 $\frac{1}{2}$. Participants who leave the Company whose account balance is less than \$1,000 will automatically receive a single cash payment. Also, active employees who reach age 70 $\frac{1}{2}$ have the additional options of electing to have their account balances distributed to them or to receive minimum required distributions.

Plan Termination

It is the intention of the Company that the Plan will continue indefinitely. However, should the Company elect to terminate the Plan subject to the provisions of ERISA, the termination date shall be treated as the valuation date, and the balances in the participants' accounts will be distributed to them.

Expenses

Third-party management fees are charged to the Plan, and the Company pays all other expenses relating to the Plan's administration.

2. Summary of 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. Shares of mutual funds are valued based on a quoted market price to sell, which represents the net asset value of shares held by the Plan at year-end. The fair value of the participation units in commingled trust funds (other than the Fidelity Managed Income Portfolio II (MIP II Fund)) is based on the unadjusted net asset value per unit as determined by the sponsor of the fund based on the fair values of the underlying investments. There are currently no significant redemption restrictions on these investments.

Table of Contents

PACCAR Inc

Savings Investment Plan

Notes to Financial Statements (continued)

2. Summary of Accounting Policies (continued)

Investment contracts held by a defined contribution plan are required to be reported at fair value. The Plan invests in investment contracts through the MIP II Fund. The statements of net assets available for benefits present the fair value of the MIP II Fund and the adjustment from fair value to contract value. The contract value of the MIP II Fund represents contributions plus earnings, less participant withdrawals and administrative expenses.

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

Notes Receivable from Participants

Notes receivable from participants represent 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. Notes receivable from participants that are determined to be uncollectible are recorded as a distribution based upon the terms of the plan document. No allowance for credit losses has been recorded as of December 31, 2012 or 2011.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Risks and Uncertainties

The Plan provides for various investment options. Investment securities, in general, are exposed to various risks, such as interest rate, market volatility, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the value of participants' account balances and the amounts reported in the financial statements.

Table of Contents

PACCAR Inc

Savings Investment Plan

Notes to Financial Statements (continued)

3. Investments

Assets held in the Plan are managed and investment transactions are executed by the Trustee or other outside mutual fund companies.

During the year ended December 31, 2012, the Plan's investments (including investments purchased, sold, as well as held during the year) appreciated in fair value as determined by quoted market prices as follows:

Year Ended December 31, 2012	Net Appreciation in Fair Value of Investments
Commingled trust funds	\$ 12,752,260
Mutual funds	41,682,392
PACCAR Inc common stock	143,239,410
	\$ 197,674,062

The fair value of investments that represent 5% or more of the Plan's net assets is as follows:

	December 31	
	2012	2011
PACCAR Inc common stock*	\$ 809,752,452	\$ 696,921,894
Fidelity Managed Income Portfolio II Class 2	107,970,341	98,248,216
Fidelity Contrafund K	154,859,340	141,715,797

* Includes Company matching contributions, some of which are nonparticipant-directed.

Table of Contents

PACCAR Inc

Savings Investment Plan

Notes to Financial Statements (continued)

4. Fair Value of Financial Instruments

Fair value represents the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The hierarchy of fair value measurement is described below.

Level 1 Valuations are based on quoted prices that the Plan has the ability to obtain in actively traded markets for identical assets. Since valuations are based on quoted prices that are readily and regularly available in an active market or exchange traded market, valuation of these instruments does not require a significant degree of judgment.

Level 2 Valuations are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 Valuations are based on model-based techniques for which some or all of the assumptions are obtained from indirect market information that is significant to the overall fair value measurement and which require a significant degree of management judgment. The Plan had no financial instruments requiring Level 3 valuation.

The following methods and assumptions are used to measure fair value for assets subject to recurring fair value measurements.

The fair value of a money market fund, mutual funds, and PACCAR Inc common stock is based on quoted prices in active markets. These are categorized as Level 1.

The fair value of commingled trust funds is based on the unadjusted net asset value per unit as determined by the sponsor of the fund based on the fair values of the underlying investments. These commingled funds are categorized as Level 2.

Table of Contents

PACCAR Inc

Savings Investment Plan

Notes to Financial Statements (continued)

4. Fair Value of Financial Instruments (continued)

The Plan's assets subject to recurring fair value measurements at December 31, 2012, are Level 1 or Level 2 as follows:

	Level 1	Level 2	Total
Financial instruments, at fair value:			
U.S. money market fund	\$ 65,646	\$	\$ 65,646
Commingled trust funds:			
U.S.		178,514,596	178,514,596
International		19,008,167	19,008,167
U.S. mutual funds:			
Equity	203,180,924		203,180,924
Fixed income	73,208,571		73,208,571
Asset allocation	155,652,148		155,652,148
PACCAR Inc common stock	809,752,452		809,752,452
	\$ 1,241,859,741	\$ 197,522,763	\$ 1,439,382,504

The Plan's assets subject to recurring fair value measurements at December 31, 2011, are Level 1 or Level 2 as follows:

	Level 1	Level 2	Total
Financial instruments, at fair value:			
U.S. money market fund	\$ 28,416	\$	\$ 28,416
Commingled trust funds:			
U.S.		160,735,656	160,735,656
International		17,435,290	17,435,290
U.S. mutual funds:			
Equity	181,414,203		181,414,203
Fixed income	58,548,088		58,548,088
Asset allocation	137,968,964		137,968,964
PACCAR Inc common stock	696,921,894		696,921,894
	\$ 1,074,881,565	\$ 178,170,946	\$ 1,253,052,511

Table of Contents

PACCAR Inc

Savings Investment Plan

Notes to Financial Statements (continued)

5. Nonparticipant-Directed Investments

The only nonparticipant-directed investments in the Plan are held in PACCAR Inc common stock, in which participant-directed investments also are made. The investment activity cannot be segregated between participant-directed and nonparticipant-directed transactions. The information below regarding net assets and the significant changes in net assets relates to the nonparticipant-directed and participant-directed transactions in PACCAR Inc common stock.

	December 31	
	2012	2011
Investments in PACCAR Inc common stock at fair value	\$ 809,752,452	\$ 696,921,894
Dividends receivable on PACCAR Inc common stock		12,991,878
	\$ 809,752,452	\$ 709,913,772

	Year Ended December 31, 2012
Changes in net assets:	
Contributions	\$ 29,649,518
Dividends	28,566,693
Net appreciation in fair value	143,239,410
Net transfers from other participant-directed investments	(62,729,202)
Benefits paid to participants	(40,144,461)
Net participant loan repayments	1,256,722
	\$ 99,838,680

6. Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service (the IRS) dated October 23, 2008, stating that the Plan is qualified under Section 401(a) of the Code and, therefore, the related trust is exempt from taxation. Subsequent to the determination by the IRS, the Plan was amended and restated. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The plan administrator believes the Plan is being

Table of Contents

PACCAR Inc

Savings Investment Plan

Notes to Financial Statements (continued)

6. Income Tax Status (continued)

operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended and restated, is qualified and the related trust is tax-exempt. The Plan has filed for a new determination letter in January 2012.

Accounting principles generally accepted in the United States require Plan management to evaluate uncertain tax positions taken by the Plan. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the IRS. The plan administrator has analyzed the tax positions taken by the Plan and has concluded that as of December 31, 2012 and 2011, there are no uncertain positions taken or expected to be taken. The Plan has recognized no interest or penalties related to uncertain tax positions. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan is not subject to income tax examinations for years prior to 2009.

7. Transactions with Parties in Interest

The Plan invests in the common stock of the Plan's sponsor, PACCAR Inc, which is purchased by the Trustee on the open market at fair value. The Plan made purchases totaling \$137,726,538 and sales totaling \$203,642,113 of PACCAR Inc common stock during 2012. The Plan received dividends on this stock totaling \$41,558,571 in 2012. There were no dividends receivable as of December 31, 2012, and \$12,991,878 as of December 31, 2011.

8. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements at December 31, 2012 and 2011, to the Form 5500:

	December 31	
	2012	2011
Net assets available for benefits per the financial statements	\$ 1,472,117,236	\$ 1,295,770,377
Adjustment from fair value to contract value for investment contracts held by commingled trust funds	2,928,124	2,387,104
Net assets available for benefits per the Form 5500	\$ 1,475,045,360	\$ 1,298,157,481

Table of Contents

PACCAR Inc

Savings Investment Plan

Notes to Financial Statements (continued)

8. Reconciliation of Financial Statements to Form 5500 (continued)

The following is a reconciliation of changes in net assets per the financial statements for the year ended December 31, 2012, to the Form 5500:

	Year Ended December 31, 2012
Increase in net assets per the financial statements	\$ 176,346,859
Adjustment from fair value to contract value for investment contracts held by commingled trust funds December 31, 2012	2,928,124
Adjustment from fair value to contract value for investment contracts held by commingled trust funds December 31, 2011	(2,387,104)
Net increase per the Form 5500	\$ 176,887,879

Table of Contents

Supplemental Schedules

Table of Contents

PACCAR Inc

Savings Investment Plan

EIN: 91-0351110 Plan Number: 002

Schedule H, Line 4i Schedule of Assets

(Held at End of Year)

As of December 31, 2012

(a)	(b)	(c)	(d)	(e)
	Identity of Issue, Fund or Borrower	Description of Investment	Cost	Current Value
	Money market fund:			
*	Fidelity Management Trust Company:			
	Retirement Money Market	65,646 shares	(1)	\$ 65,646
	Commingled trust funds:			
*	Fidelity Management Trust Company:			
	Managed Income Portfolio II Class 2	105,042,217 units	(1)	107,970,341
	U.S. Equity Index Commingled Pool	1,358,972 units	(1)	70,544,255
	Russell Fund:			
	International	420,907 units	(1)	19,008,167
				197,522,763
	Mutual funds:			
*	Fidelity Management Trust Company:			
	Contrafund K	1,997,927 shares	(1)	154,859,340
	Asset Manager 70%	2,110,080 shares	(1)	36,588,781
	Asset Manager 50%	1,789,404 shares	(1)	29,435,699
	Asset Manager 20%	1,519,894 shares	(1)	19,956,206
	Freedom Index Income	455,198 shares	(1)	4,998,076
	Freedom Index 2010 W	983,956 shares	(1)	11,659,881
	Freedom Index 2020 W	2,364,059 shares	(1)	28,794,239
	Freedom Index 2030 W	997,235 shares	(1)	12,425,553
	Freedom Index 2040 W	858,152 shares	(1)	10,812,712
	Freedom Index 2050 W	77,123 shares	(1)	981,001
	PIMCO Total Return Fund:			
	Institutional Class	6,513,218 shares	(1)	73,208,571
	JP Morgan Mid Cap Value Fund:			
	Institutional Class	1,726,387 shares	(1)	48,321,584
				432,041,643
	Other investments:			
*	PACCAR Inc common stock	17,910,882 shares	\$ 436,233,919	809,752,452
	Total investments			\$ 1,439,382,504
*	Participant loans		(1)	\$ 31,195,452

Maturing through
2027, with interest
rates ranging from
4.25% to 10.50%

* Indicates party-in-interest to the Plan.

(1) Cost information is omitted, as investments are participant directed.

Table of Contents

PACCAR Inc

Savings Investment Plan

EIN: 91-0351110 Plan Number: 002

Schedule H, Line 4j Schedule of Reportable Transactions

Year Ended December 31, 2012

(a)					(h)	
Identity of Party	(b)	(c)	(d)	(g)	Current Value	(i)
Involved	Description of Asset	Purchase Price	Selling Price	Cost of Asset	of Asset on Transaction Date	Net Gain
Category (iii)	Series of securities transactions aggregating in excess of 5% of Plan assets.					
PACCAR Inc	Common stock	\$ 137,726,538	\$	\$	\$ 137,726,538	\$
PACCAR Inc	Common stock		203,642,113	168,099,901	203,642,113	35,542,212

There were no category (i), (ii), or (iv) reportable transactions during the year.

Columns (e) and (f) are not applicable.