UNITED TECHNOLOGIES CORP /DE/
Form 11-K
June 26, 2009
Table of Contents

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the Plan fiscal year ended December 31, 2008

Commission File Number 1-812

UNITED TECHNOLOGIES CORPORATION

EMPLOYEE SAVINGS PLAN

UNITED TECHNOLOGIES CORPORATION

One Financial Plaza

Hartford, Connecticut 06103

Table of Contents

UNITED TECHNOLOGIES CORPORATION

EMPLOYEE SAVINGS PLAN

Index to Financial Statements

December 31, 2008 and 2007

Table of Contents

FINANCIAL STATEMENTS OF THE UNITED TECHNOLOGIES CORPORATION

EMPLOYEE SAVINGS PLAN

Report of Independent Registered Public Accounting Firm

To the Participants and Administrator of the

United Technologies Corporation

Employee Savings Plan:

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the United Technologies Corporation Employee Savings Plan (the Plan) at December 31, 2008 and 2007, and the changes in net assets available for benefits for the year ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. 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 of these statements 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. An audit 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Assets (Held at End of Year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is 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. This supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP

Hartford, Connecticut

June 26, 2009

Table of Contents

UNITED TECHNOLOGIES CORPORATION

EMPLOYEE SAVINGS PLAN

Statements of Net Assets Available for Benefits

(Thousands of Dollars)

	December 31, 2008	December 31, 2007
Assets:		
Investment in Master Trust, at fair value	$ 11,688,555	$ 15,307,997
Contributions receivable:		
Participants	723	12,415
Employer s	59	499
Net assets available for benefits, at fair value	11,689,337	15,320,911
Adjustment from fair value to contract value for interest in Master Trust relating to fully benefit-responsive investment contracts	559,402	(183,076)
Net assets available for benefits	$ 12,248,739	$ 15,137,835

The accompanying notes are an integral part of these financial statements.

4

Table of Contents

UNITED TECHNOLOGIES CORPORATION

EMPLOYEE SAVINGS PLAN

Statement of Changes in Net Assets Available for Benefits

(Thousands of Dollars)

	Year Ended December 31, 2008
Additions to net assets attributed to:	
Contributions:	
Participants	361,543
Employer s	29,146
Total additions	390,689
Deductions from net assets attributed to:	
Plan interest in net depreciation and investment loss of Master Trust	2,608,294
Distributions to participants or beneficiaries	661,057
Interest expense	22,836
Administrative expenses	1,681
Total deductions	3,293,868
Net decrease prior to transfers	2,903,179
Plan transfers:	
Assets transferred into Plan	14,109
Assets transferred out of Plan	(26)
Net transfers	14,083
Net decrease	2,889,096
Net assets available for benefits, December 31, 2007	15,137,835
Net assets available for benefits, December 31, 2008	$ 12,248,739

The accompanying notes are an integral part of these financial statements.

Table of Contents

UNITED TECHNOLOGIES CORPORATION

EMPLOYEE SAVINGS PLAN

Notes to Financial Statements

NOTE 1 DESCRIPTION OF THE PLAN

General. The United Technologies Corporation Employee Savings Plan (the Plan) is a defined contribution savings plan administered by United Technologies Corporation (UTC, the Corporation, the Employer, or the Company). It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Generally, non-represented employees of the Corporation and in participating business units of UTC are eligible to participate in the Plan immediately upon employment with UTC. Generally, participants are eligible for matching Employer contributions after one year of service, as defined. The following is a brief description of the Plan. For more complete information, participants should refer to the summary plan description as well as the Plan document, which are available from UTC.

Trustee and Recordkeeper. The Plan trustee holds all of the Plan s assets. State Street Bank and Trust (Trustee) is the Plan trustee. Fidelity Institutional Retirement Services Company (Fidelity) provides recordkeeping services and acts as the sub-trustee for a portion of the Plan s assets.

Contributions and Vesting. The percentages of total compensation participants may elect to contribute, through payroll deductions, vary depending on the provisions of the Plan specific to a participant s location. Participants direct the investment of their contributions into various investment options offered by the Plan through the United Technologies Corporation Employees Savings Plan Master Trust (Master Trust). Through the Master Trust, the Plan offers 20 mutual funds, seven commingled index funds, one stable value fund, and a company stock fund as investment options to participants. The Master Trust also includes a money market fund that is primarily used for transitioning or merging plans. Participant contributions, plus actual earnings thereon, are fully vested at all times under the Plan.

Effective January 2008, a Roth 401(k) option and automatic enrollment were introduced to the Plan for participants. The Roth option allows participants to contribute after tax monies. Any earnings on the Roth contributions are tax free when withdrawn, provided the participant meets the Roth distribution requirements. New and acquired participants are automatically enrolled at a 5% pre-tax deferral rate 45 days from their date of hire. Participants may opt out of automatic enrollment at any point before or after the 45 day window. Automatic contributions are invested in the Plan s age appropriate Vanguard Target Retirement Fund.

Generally, UTC matches up to 60 percent of a participant s contributions, up to specified limits, in UTC Common Stock (Common Stock), with a different match percentage at certain locations. Generally, Employer contributions plus actual earnings thereon become fully vested after two years of Plan participation.

UTC has established a leveraged Employee Stock Ownership Plan (ESOP) to fund the Employer matching contributions to the Plan. The ESOP was primarily invested in UTC Series A ESOP Convertible Preferred Stock prior to the conversion of all 10.6 million outstanding shares of such ESOP Preferred Stock into 85 million shares of Common Stock (split adjusted) on November 6, 2003. Shares allocated to a participant s ESOP account after January 1, 2004 may be re-allocated to other Plan investments without restriction provided that the participant has satisfied the Plan s vesting requirements.

Participant Accounts. Each participant s account is credited with (a) the participant s contributions, (b) UTC s contributions and (c) Plan earnings and losses reduced by expense allocations. The benefit to which a participant is entitled is the benefit that can be provided from the participant s vested account. Forfeited balances of terminated participants non-vested Employer contribution amounts are used to reduce future UTC contributions and/or to pay Plan expenses. For the year ended December 31, 2008, approximately $589,000 of forfeitures was used to fund UTC s contributions.

Voting Rights. Stock held in the UTC Common Stock Fund and ESOP Fund are voted by the Trustee at shareowner meetings of UTC in accordance with the confidential instructions of the participants whose accounts are invested in these funds. All shares of Employer stock in the UTC Common Stock Fund or participants ESOP accounts for which the Trustee receives voting instructions from participants to whose accounts the shares are allocated are voted in accordance with those instructions. All Employer stock in the UTC Common Stock Fund for which the Trustee does not receive timely voting instructions are voted by the Trustee in accordance with the timely instructions it receives with respect to a plurality of the shares in the UTC Common Stock Fund. All Employer stock in the ESOP Fund that has been allocated to participants ESOP accounts but for which the Trustee does not receive timely voting instructions, and all shares in the unallocated ESOP account, are voted by the Trustee in accordance with the timely instructions it receives with respect to a plurality of the shares that are allocated to participants ESOP accounts.

Table of Contents

Participant Loans. Participants are allowed to borrow up to 50 percent of their vested account balances (excluding their ESOP Fund restricted account balance). Loan amounts range from $1,000 to $50,000 and must be repaid within 5 years. The loans are collateralized by the balance in the participant s account and bear interest at the prime rate plus one percent per The Wall Street Journal, which ranged from 4.25 percent to 9.25 percent for loans outstanding at December 31, 2008. Principal and interest are paid ratably through payroll deductions.

Payment of Benefits. Generally, upon termination, benefits may be left in the Plan or paid in a lump sum to a terminating participant. A participant terminating due to retirement may elect to receive benefits in installments over two to twenty years. At the participant s election, the portion of a lump sum distribution attributable to an investment in the UTC Common Stock Fund and ESOP fund may be paid in shares of UTC Common Stock instead of cash. Distributions in UTC Common Stock for the year ended December 31, 2008 were approximately $37,115,000.

NOTE 2 SUMMARY OF ACCOUNTING PRINCIPLES

Basis of Accounting. The financial statements of the Plan are prepared under the accrual method of accounting.

Master Trust. The Plan s assets are kept in the Master Trust maintained by the Trustee. Under the Master Trust agreement, the assets of certain employee savings plans of UTC are combined. Participating plans purchase units of participation in the underlying investment funds based on their contribution to such funds and the unit value of the applicable investment fund at the end of the trading day in which a transaction occurs. The unit value of each fund is determined at the close of each day by dividing the sum of uninvested cash, accrued income and the current value of investments by the total number of outstanding units in such funds. Income or losses from the funds investments, other than the UTC Common Stock Fund and ESOP Common Stock Fund, increase or decrease the participating plans unit values. UTC Common Stock Fund and ESOP Common Stock Fund dividends increase the Plan s units in each fund. Distributions to participants reduce the number of participation units held by the participating plans (see Note 5).

Fully Benefit-Responsive Investment Contracts. The Plan is required to report fully responsive investment contracts at fair value. However, contract value is the relevant measurement attribute for fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Plan invests in investment contracts through the Master Trust. The statement of net assets available for benefits presents the fair value of the investment in the Master Trust as well as the adjustment of the investment in the Master Trust from fair value to contract value relating to these investment contracts. The statement of changes in net assets available for benefits is prepared on a contract value basis.

Investment Valuation and Income Recognition. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Shares held in mutual funds are traded on a national exchange and are valued at the closing prices as of the last business day of each period presented.

Commingled funds represent investments held in institutional funds and are valued at the net asset values per share as of the valuation date. The commingled funds are made up of a variety of index funds. The underlying holdings of the commingled funds are primarily marketable equity and fixed income securities.

The Master Trust invests in a stable value fund that invests in managed separate account guaranteed investment contracts (GICs) and synthetic GICs with financial institutions. Managed separate account GICs are investment contracts invested in insurance company separate accounts established for the sole benefit of UTC stable value fund participants. The assets are wrapped by the financially responsible insurance company. The Plan participates in the underlying experience of the separate account via future periodic rate resets, which once set, are guaranteed by the insurance company. The wrap contract provides assurance that future adjustments to the crediting rate cannot result in a crediting rate less than zero. A synthetic GIC consists of a portfolio of underlying assets owned by the Master Trust and a wrap contract issued by a financially responsible third party, typically an insurance company. Synthetic GICs provide for a variable crediting rate which resets periodically. The wrap contract provides assurance that future adjustments to the crediting rate cannot result in a crediting rate less than zero. Individual assets comprising the synthetic GICs are valued at representative quoted market prices, if available. As of December 31, 2008 the fair value of the wrap contracts for the GICs were determined using a discounted cash flow method which considers recent rebids as determined by recognized dealers, discount rate and duration of the underlying portfolio. As of December 31, 2008 and 2007 the value of the wrap contracts was $4.1 million and $0, respectively.

Table of Contents

As fully benefit-responsive investment contracts, the stable value fund s investments are also stated at contract value (the amount available to pay benefits). Contract value includes contributions plus earnings, less Plan withdrawals and expenses. There are no reserves against contract value for credit risk.

UTC stock is stated at fair value determined using the closing sales price for UTC stock as of the valuation date.

Participant loans are valued at amortized cost, which approximates fair value.

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

Note 6 provides additional disclosures with respect to fair value.

Plan Expenses. Certain Plan administrative expenses, including Trustee fees were paid directly by the Employer in 2008. All other administrative, investment management fees, recordkeeper fees and other investment expenses were paid from Plan assets during 2008.

Payment of Benefits. Benefit payments to participants or beneficiaries are recorded upon distribution.

Use of Estimates. The preparation of the Plan s financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits at the dates of the financial statements and changes therein during the reporting period and, when applicable, disclosures of contingent assets and liabilities at the dates of the financial statements. Actual results could differ from those estimates.

Risks and Uncertainties. Through the Master Trust, the Plan provides for various investment options in any combination of stocks, bonds, mutual funds and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit. These risks can be adversely impacted by shifts in the market s perception of the issuers, changes in interest rates, and global economic conditions. 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 risks in the near term would materially affect participants account balances and the amounts reported in the statements of net assets available for benefits.

NOTE 3 NON PARTICIPANT-DIRECTED INVESTMENTS

The following is a summary of the financial information attributable to the Plan for the UTC ESOP Fund investment inside the Master Trust, which is not a participant-directed investment (Note 7):

	December 31,					
		2008			2007	
(Thousands of Dollars)	**Allocated**	**Unallocated**	**Total**	**Allocated**	**Unallocated**	**Total**
Assets:						
Short-term investments	$ 27,492	$	$ 27,492	$ 42,817	$	$ 42,817
Common stock	2,063,170	1,286,351	3,349,521	3,017,801	1,997,303	5,015,104
ESOP receivables		172,960	172,960		181,986	181,986
Total assets	2,090,662	1,459,311	3,549,973	3,060,618	2,179,289	5,239,907
Liabilities:						
Accrued ESOP interest		(1,111)	(1,111)		(1,188)	(1,188)
ESOP debt		(32,700)	(32,700)		(65,300)	(65,300)
Notes payable to UTC		(300,433)	(300,433)		(295,833)	(295,833)
Total liabilities		(334,244)	(334,244)		(362,321)	(362,321)
Net assets	$ 2,090,662	$ 1,125,067	$ 3,215,729	$ 3,060,618	$ 1,816,968	$ 4,877,586

Table of Contents

(Thousands of Dollars)	Year Ended December 31, 2008 Allocated	Unallocated	Total
Additions:			
Interest and dividend income	$ 51,387	$ 35,600	$ 86,987
Contributions		20,263	20,263
Allocation of 1,716,000 ESOP shares, at market	113,306		113,306
Total additions	164,693	55,863	220,556
Deductions:			
Net (depreciation) of ESOP shares	(891,629)	(611,622)	(1,503,251)
Distributions to participants	(104,056)		(104,056)
Interest expense		(22,836)	(22,836)
Transfers to participant-directed investments	(138,964)		(138,964)
Allocation of 1,716,000 ESOP shares, at market		(113,306)	(113,306)
Total deductions	(1,134,649)	(747,764)	(1,882,413)
Net decrease	(969,956)	(691,901)	(1,661,857)
Net assets:			
Beginning of year	3,060,618	1,816,968	4,877,586
End of year	$ 2,090,662	$ 1,125,067	$ 3,215,729

NOTE 4 INVESTMENT CONTRACTS WITH INSURANCE COMPANIES

Through the Master Trust, the Plan invests in a stable value fund that invests in managed separate account GICs and synthetic GICs with financial institutions. Managed separate account GICs are investment contracts invested in insurance company separate accounts established for the sole benefit of the UTC stable value fund participants. The assets are wrapped by the financially responsible insurance company. The Plan participates in the underlying experience of the separate account via future periodic rate resets guaranteed by the insurance company. A synthetic GIC consists of a portfolio of underlying assets owned by the Master Trust, and a wrap contract issued by a financially responsible third party, typically an insurance company. Synthetic GICs provide for a variable crediting rate which resets periodically. The wrap contracts provide assurance that future adjustments to the crediting rate cannot result in a crediting rate less than zero. Under these contracts, each insurance company guarantees repayment in full of the principal amount plus interest credited at a fixed rate for a specified period. Interest is credited to each contract based on an annual interest rate set each year by the individual insurance companies. This rate, which differs among contracts, takes into account any difference between prior year credited interest and the actual amount of investment earnings allocable to the contract in accordance with the established allocation procedures of the insurance company. The crediting rate is primarily based on the current yield-to-maturity of the covered investments, plus or minus amortization of the difference between the market value and contract value of the covered investments over the duration of the covered investments at the time of computation. There are no reserves against contract value for credit risk.

Certain events could limit the ability of the Plan to transact at contract value with the issuer. Such events include the following: (i) certain amendments to the Plan documents that adversely impact the stable value fund; (ii) introduction of an investment option that competes with the stable value fund; (iii) certain Plan sponsor events (e.g. a significant divestiture) that cause a significant withdrawal from the Plan; (iv) the failure of the trust to qualify for exemption from federal income taxes; or, (v) material breach of contract provisions. UTC does not believe that the occurrence of any such event, which would limit the Plan s ability to transact at contract value with participants, is probable. Certain events enable issuers to terminate their contracts with UTC and settle at an amount other than contract value. Under each contract, the Plan has the option to address and cure any such event within a specified period of time. UTC does not believe that the occurrence of any such event is probable.

The average yield of the GICs based on actual earnings was approximately (5.8) % and 5.7% for the years ended December 31, 2008 and 2007, respectively. The average yield of the GICs based on interest rate credited to participants was approximately 6.25% and 6.35% for the years ended December 31, 2008 and 2007, respectively.

NOTE 5 INVESTMENT IN MASTER TRUST

UTC has entered into a Master Trust agreement with the Trustee. Under this agreement, certain savings plans of UTC combine their trust fund investments in the Master Trust.

Participating plans purchase units of participation in the investment funds based on their contribution to such funds in addition to income or loss the investment funds may earn or sustain, less distributions made to the plans participants. The Plan s interest in the net assets of the Master Trust was approximately 88 percent at December 31, 2008 and approximately 89 percent at December 31, 2007.

9

Table of Contents

The following is a summary of the financial information and data for the Master Trust and the portion attributable to the Plan:

United Technologies Corporation Employee Savings Plan

Master Trust Statements of Net Assets

(Thousands of Dollars)

	December 31,					
		2008			2007	
	Allocated	Unallocated	Total	Allocated	Unallocated	Total
Assets:						
Short-term investments	$ 58,120	$	$ 58,120	$ 87,228	$	$ 87,228
Investments:						
Mutual funds	1,136,736		1,136,736	1,866,720		1,866,720
Commingled index funds	1,167,437		1,167,437	1,941,499		1,941,499
Common stock	3,213,008	1,286,351	4,499,359	4,423,478	1,997,303	6,420,781
Stable value fund investment contracts	6,396,864		6,396,864	6,871,315		6,871,315
Participant notes receivable	129,182		129,182	125,299		125,299
Subtotal	12,101,347	1,286,351	13,387,698	15,315,539	1,997,303	17,312,842
ESOP receivables		172,960	172,960		181,986	181,986
Interest and dividend receivable	7,443		7,443	972		972